

# **A Study on Financial Accounting Disclosures in Ind-AS XBRL Taxonomy**

## **-A Case Study of IT Companies.**

**Kruthi Dattatreya<sup>1</sup> and Dr. B. Mahadevappa<sup>2</sup>**

<sup>1</sup> *Research Scholar, DOS in Commerce, Hemangotri, University of Mysore. Haasan*

<sup>2</sup> *Professor, DOS in Commerce, Hemangotri, University of Mysore. Hassan*

### **Abstract**

*Financial accounting disclosure is of great significance in accomplishing the objectives of the financial reporting system. The present study focuses on the financial accounting disclosure elements in Ind-AS XBRL taxonomy and examines the level of disclosure in XBRL reports based on Ind-AS XBRL taxonomy. The study considers a convenience-based sample of five IT companies chosen from NSE Nifty 50 companies. XBRL reports of selected companies are collected. The content analysis technique is applied to count the number of disclosure items of the selected companies. The disclosures were subject to frequency/percentage analysis and descriptive analysis such as mean and one-sample t-test. The results of the study reveal the taxonomy elements of financial accounting disclosures in the Ind-AS XBRL taxonomy and conclude that there is a significant increase in the level of disclosures in XBRL reports based on the Ind-AS XBRL taxonomy.*

**Keywords:** *Financial Accounting Disclosures, IND-AS XBRL Taxonomy, XBRL*

### **1. Introduction**

From the beginning of 2017, the Ministry of Corporate Affairs (MCA) in India has mandated that all the listed companies, who have prepared books of accounts on the basis of Ind-AS from 1st April 2015, have to file XBRL reports using Ind-AS XBRL taxonomy. All the listed companies in India have started to file their annual reports in XBRL format. The Ind-AS XBRL taxonomy includes financial accounting disclosures per provisions of Schedule III requirements, SEBI guidelines, Accounting Standards, MCA requirements, Common Practice elements, the Companies Act, 2013 etc. Auditor's Report, Director's Report, Related Party details, Subsidiary Details, Cost Record elements, etc. are a few regulatory disclosure elements included in the taxonomy. "The disclosure of accounting practices has developed in accordance with the changing economic, political, technological and social environments to fulfil the objectives of financial reporting." (Kathiresan, Vethirajan, & Banupriya, 2018). "This allows the XBRL taxonomy to reflect and adhere to actual reporting practices. Additionally, the levels of disaggregation of the taxonomy provide an effective and flexible application of the XBRL taxonomy to preparers. In turn, users can perform effective data manipulation and disclosure retrieval by choosing a level of detail according to their preferences." (Torre et al., 2016). "Indeed, XBRL facilitates automated consumption of reports and allows information to be managed more effectively and efficiently." (Bonsón et al., 2009; Debreceny et al., 2011).

## 2. Literature Review

**Faccia et al., (2021)** The study attempts to fill a current financial ESG disclosure gap, ensuring financial statements' comparability and encouraging additional mandatory disclosures. Given the recent EU enhanced regulations that proposed extend mandatory ESG reporting to SMEs, this study aims to design and recommend an additional Income Statement to embed structured Environmental, Social, and Governance (ESG) disclosure. The study concluded by proposing two more items in the XBRL (IFRS-based) structure, leading to the introduction of one fully structured statement “{330000}—Statement of comprehensive income, profit or loss, by Added Value, ESG based” and a semi-structured “{814000}—Notes—ESG Ratings and Reporting” to better discuss and disclose the assumptions and results of the ESG Statement

**Torre et al., (2016)** The purpose of this paper is to examine the potential for eXtensible Business Reporting Language (XBRL) to go beyond static reporting. A taxonomy structure of information is developed for providing a knowledge base and insights for XBRL taxonomy for integrated reporting (IR). Design Science (DS) research, as a pragmatic exploratory research approach, is embraced to create a new “artefact” and thematic content analysis is used to analyse IR in practice. The findings of the study states that using XBRL for IR allows a shift from static and periodic reporting to more relevant and dynamic corporate disclosure for stakeholders, who can navigate and retrieve customised disclosure information according to their interest by exploiting the multidimensionality of IR and overcome some of its criticisms.

**Diego Valentinetti (May 2011)** The study examined the issues in XBRL taxonomies to adequately reflect both the accounting standards and the reporting practices of firms. The aim of the paper was to fill a specific gap in the previous literature, by analysing the applicability of XBRL in the context of template-based accounting standards. In this study, the concept of fit between a standard taxonomy and financial reporting practices was examined in the context of the Italian adoption of XBRL. The study also tried to empirically identify the factors that could explain the level of misfit observed in terms of the disaggregation of information.

The results show an almost perfect fit but with significant differences among the financial statements analysed. In addition, the degree of misfit, when it occurs, depends on the sector, the size and the level of disaggregation of information provided by the companies. The study concluded by restating the role of XBRL taxonomies in digital financial reporting, both for firms and for other users of financial information. Furthermore, suggests that more research studies should periodically review on the Italian case to detect whether and how the companies.

**Akhilesh Chandra (Sep 2005)** The study examined the impact of the XBRL, taxonomies in three domains : (1) the role of XBRL in financial reporting, (2) concerns with XBRL taxonomies, and (3) the impact of XBRL on the SEC's filing program. The paper adopts a descriptive approach to generate normative and prescriptive propositions with implications for research that will guide prepares users, and regulators of XBRL-tagged information. The paper investigated the degree to which current XBRL standard taxonomies are able to meet the needs of the financial community and examined the sufficiency of current list of factors to satisfy the adequacy of the standard taxonomies. Thus, the study contributed to the development of a research agenda on efficiency of XBRL taxonomy.

**Matthew Bovee (2001)** The present study was conducted with three major goals. Firstly, to examine the 07/31/2000 version of the XBRL taxonomy for financial reporting accommodates current financial reporting practices of public companies, secondly to classify differences between the 07/31/2000 XBRL taxonomy elements observed reporting practices, thirdly to discuss the potential effect of the taxonomy on accounting information quality, as described in Statement of Financial Accounting Concepts. To achieve these objectives a representative sample of 67 companies from 10 industries public firms and industries were selected from the fortune website. The findings of the study were that C&I taxonomy has an overall good fit and a better fit for some industries. Further the study suggested the need for current and expected efforts to develop industry-specific taxonomies.

### 3. Scope of the Study

The study considers a convenience sample of five IT companies chosen from Nifty 50 listed companies. XBRL Reports based on Ind-AS XBRL Taxonomy of all the five IT companies for the year ended 2020-21 are collected to study. Further, the study focuses only on the disclosures in XBRL reports derived from Ind-AS XBRL Taxonomy 2017.

### 4. Research Questions

The study intends to answer the following questions

1. What are the financial accounting disclosure elements in IND-AS XBRL Taxonomy?
2. What is the level of financial accounting disclosures in XBRL reports of selected IT companies for the year ended 2020-21 based on IND AS XBRL taxonomy?

### 5. Objectives of the Study

The objectives of the study are as follows

1. To study the financial accounting disclosure elements in IND-AS XBRL Taxonomy.
2. To examine the level of accounting disclosures in XBRL reports of selected IT companies for the year ended 2020-21 based on IND AS XBRL taxonomy.

### 6. Research Methodology

#### 6.1 Sources of data

Secondary data is collected from the websites of XBRL Inc., the Ministry of Corporate Affairs (MCA), NSE website and the Institute of Chartered Accountants of India (ICAI). Ind AS XBRL taxonomy is collected from the XBRL taxonomy registry. XBRL Reports of the sample of five IT Companies is collected.

#### 6.2 Population

The population for the study includes all the listed companies of NSE Nifty 50 companies.

#### 6.3 Sample

A convenience sample of five IT companies has been chosen from all the listed companies of NSE Nifty 50 companies. The sample of five IT companies are listed below:

1. Infosys Ltd.
2. Wipro Ltd.
3. HCL Technologies Ltd.
4. TCS Ltd.
5. Tech Mahindra Ltd.

## 6.4 Methodology

Content analysis technique is applied. The disclosure of items in XBRL reports is coded as “1” and the non-disclosure of items in XBRL reports is coded as “0”. The disclosures were subject to frequency/percentage analysis and descriptive analysis such as mean and one-sample t-test. The test value to determine the level of financial accounting disclosure is considered to be 80%.

## 6.5 Research Hypothesis

H<sub>0</sub>: The level of financial accounting disclosure in the selected IT companies is not more than 80% of the total disclosures

H<sub>1</sub>: The level of financial accounting disclosures in the selected IT companies is more than 80% of the total disclosures.

## 7. Findings and Discussions

### 7.1 Financial Accounting Disclosures in IND-AS XBRL taxonomy

**Table 1: Financial Accounting Disclosure items in IND-AS XBRL Taxonomy**

Financial Accounting Disclosure items in IND AS XBRL Taxonomy	
1. Balance sheet	31. Notes - Fair value measurement
2. Statement of profit and loss	32. Notes - Regulatory deferral accounts
3. Statement of profit and loss	33. Notes - Separate financial statements
4. Cash flow statement, direct	34. Notes - Interests in other entities
5. Cash flow statement, indirect	35. Notes - Non-current asset held for sale and discontinued operations
6. Notes - Equity share capital	36. Notes - Other provisions, contingent liabilities and contingent assets
7. Statement of changes in equity	37. Notes – Revenue
8. Notes - Borrowings	38. Notes - Accounting for government grants and disclosure of government assistance
9. [Notes - Non-current investments	39. Notes - Construction contracts
10. Notes - Current investments	40. Notes - Impairment of assets
11. Notes - Property, plant and equipment	41. Notes – Leases
12. Notes - Investment property	42. Notes - Transactions involving legal form of lease
13. Notes – Goodwill	43. Notes - Service concession arrangements
14. Notes - Other intangible assets	44. Notes - Share-based payment arrangements

15. Notes - Biological assets other than bearer plants	45. Notes - Employee benefits
16. Notes - Subclassification and notes on liabilities and assets	46. Notes - Income taxes
17. Notes - Additional disclosures on balance sheet	47. Notes - Borrowing costs
18. Notes - Subclassification and notes on income and expenses	48. Notes - Insurance contracts
19. Notes - Additional information statement of profit and loss	49. Notes - Earnings per share
20. Notes - List of accounting policies	50. Notes - Effects of changes in foreign exchange rates
21. Notes - Corporate information and statement of IndAs compliance	51. Notes - Cash flow statement
22. Notes - Accounting policies, changes in accounting estimates and errors	52. Notes - Operating segments
23. Notes - Interim financial reporting	53. Notes - Consolidated Financial Statements
24. Notes - Events after reporting period	54. Notes - Key managerial personnel and directors remuneration and other information
25. Notes - Hyperinflationary reporting	55. Notes - Corporate social responsibility
26. Notes - Business combinations	56. Disclosure of general information about company
27. Notes - Related party	57. Disclosures - Auditors report
28. Notes - First time adoption	58. Disclosures - Signatories of financial statements
29. Notes - Exploration for and evaluation of mineral resources	59. Disclosures - Directors report
30. Notes - Financial instruments	60. Disclosures - Secretarial audit report

Source: IND-AS XBRL Taxonomy 2017, XBRL Taxonomy Registry

Table 1 represents the total number of financial accounting disclosures in IND-AS XBRL Taxonomy. It consists of mandatory disclosure, non-mandatory disclosures complying the provisions of Schedule III, IND-AS, Companies Act 2013, MSME Act 2006 and guidelines of SEBI, ICAI and MCA. The taxonomy structure divides the number of financial accounting disclosure items into sections by Extended Link Roles (ELR). Therefore, IND-AS XBRL Taxonomy 2017 has a total of 60 Extended Link Roles.

## **7.2 To examine the level of accounting disclosures in Annual reports of selected IT companies for the year ended 2020-21 based on IND AS XBRL taxonomy.**

**Table 2: Company-wise analysis of financial accounting disclosures items in XBRL Reports.**

Financial Accounting Disclosure items in IND-AS XBRL Taxonomy (60)	IT companies listed in NSE Nifty 50					Total Disclosures
	Infosys ltd.	HCL Technologies ltd.	TCS ltd.	Tech Mahindra ltd.	Wipro ltd.	
Number of disclosures	54	54	53	53	54	268
Percentage	90%	90%	88.33%	88.33%	90%	89.33%

Source: Compiled by the author from the XBRL reports of selected IT companies and content analysis method.

**Table 3: Results of One Sample t-tests of financial accounting disclosures in Ind-AS XBRL taxonomy**

	Test Value = 80%					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the difference	
					lower	upper
Level of Financial Accounting Disclosures	22.813	4	.000	9.3320	8.196	10.468

\*p-value is significant at 0.05 level.

The data in Table 2 offers some insights into differences in the level of disclosures in the selected IT companies of NSE Nifty 50 companies. Data in Table 2 reveals the number of financial accounting disclosure items during the period under study. Content analysis technique is applied. The disclosure of items in XBRL reports is coded as “1” and the non-disclosure of items in XBRL reports is coded as “0”. Further, to examine the level of financial accounting disclosure in a sample of five IT companies, the percentage of disclosures to total disclosures (60) is calculated for each company. Infosys Ltd., HCL Technologies Ltd. and Wipro Ltd. disclose up to 90%. TCS Ltd. and Tech Mahindra disclose up to 88.333%. The overall percentage of disclosures in the sample of all five IT Companies is 89.33%.

### Interpretations:

In order to test the null hypothesis that is to examine whether the level of financial accounting disclosure in selected IT Companies is more than 80% of total disclosure, we conducted one sample t-test. The table 3 exhibits the results of t-test. It reveals that t values are significant. The p-value is less than 5% level of significance. So, we can comment that the null hypothesis is rejected which means that the level of disclosures in selected IT Companies is more than 80% of total disclosures. Thus, H1 is accepted at a 5% level of significance

There exist differences in the disclosures of a sample of IT companies in their XBRL reports in the following items.

- Infosys ltd. and TCS Ltd. have only disclosed the Statement of profit and loss account comprising tabulation for other comprehensive Income.
- HCL Technologies Ltd. and Wipro Ltd. have only disclosed the notes to borrowings
- TCS Ltd. has not disclosed the notes to goodwill

- None of the sample companies has disclosed the cash flow statements in the direct method, the notes to Interim financial reporting, hyperinflationary reporting, deferral accounts and consolidated financial statements.

These disclosures are non-mandatory disclosures. Therefore, the non-disclosure of such items does not affect the transparency and reliability of accounting information in XBRL reports

## 8. Conclusion

The construction of IND-AS XBRL Taxonomy allows the modular representation of financial accounting information by extended link roles. The extended link roles encompass the regulatory requirements of India. It includes both mandatory and non-mandatory disclosures. XBRL reports have to comply with the disclosure requirements of IND-AS XBRL taxonomy and thereby have ensured a significant increase in the level of disclosures. Therefore, the contents of taxonomy improve the transparency and reliability in financial reporting and facilitate the internal and external users of accounting information at the end of an accounting period.

## 9. Scope for Future Research

Further studies can focus on the empirical analysis of the quality of IND-AS XBRL Taxonomy and study the conceptual framework, structure, disclosure elements of IND-AS XBRL taxonomy and stakeholders' perceptions based on primary and secondary data.

## 10. References

1. Bovee, M., Ettredge, M. L., Srivastava, R. P., & Vasarhelyi, M. A. (2002). *Does the Year 2000 XBRL Taxonomy Accommodate Current Business Financial-Reporting Practice?* *Journal of Information Systems*, 16(2), 165–182. <https://doi.org/10.2308/jis.2002.16.2.165>
2. Debreceeny, R. S., Chandra, A., Cheh, J. J., Guithues-Amrhein, D., Hannon, N. J., Hutchison, P. D., Janvrin, D., Jones, R. A., Lamberton, B., Lymer, A., Mascha, M., Nehmer, R., Roohani, S., Srivastava, R. P., Trabelsi, S., Tribunella, T., Trites, G., & Vasarhelyi, M. A. (2005). *Financial Reporting in XBRL on the SEC's EDGAR System: A Critique and Evaluation.* *Journal of Information Systems*, 19(2), 191–210. <https://doi.org/10.2308/jis.2005.19.2.191>
3. Doni, F. (2013). *the Income Statement Format New Trends From the Adoption of International Financial Reporting Standards (IFRS) and Extensible Business Reporting Language (XBRL).* 1st Annual International Interdisciplinary Conference, 24–26.
4. Faccia, A., Manni, F., & Capitano, F. (2021). *Mandatory esg reporting and xbrl taxonomies combination: Esg ratings and income statement, a sustainable value-added disclosure.* *Sustainability (Switzerland)*, 13(16). <https://doi.org/10.3390/su13168876>
5. Kathiresan, Kb., Vethirajan, C., & Banupriya, K. (2018). *MANDATORY CORPORATE ACCOUNTING DISCLOSURE PRACTICES: AN INVESTORS VIEW Impact of Corporate Social Responsibility of select FMCG Companies in Chennai District View project EMERGING TRENDS IN DIGITAL MARKETING IN INDIA View project MANDATORY CORPORATE ACCOU.* In *Indian Journal of Accounting (IJA) ISSN (Vol. 50, Issue 2).* Online. <https://www.researchgate.net/publication/338693015>
6. Torre, M. La, Valentinetti, D., Dumay, J., & Rea, M. A. (2016). *Improving corporate disclosure through XBRL: An evidence-based taxonomy structure for Integrated*

- Reporting 1. Introduction and background. Journal of Intellectual Capital.*  
<https://doi.org/10.1108/JIC-03-2016-0030>
7. Valentinetti, D., & Rea, M. A. (2012). *IFRS Taxonomy and financial reporting practices: The case of Italian listed companies. International Journal of Accounting Information Systems*, 13(2), 163–180. <https://doi.org/10.1016/j.accinf.2011.09.001>
  8. Cohen, E. E., Schiavina, T., & Servais, O. (2005). *XBRL: The standardised business language for 21st-century reporting and governance. International Journal of Disclosure and Governance*, 2(4), 368–394. <https://doi.org/10.1057/palgrave.jdg.2040006>
  9. Debreceny, R. (2010). *The Implications of XBRL for the Financial Statement Audit Update on Research Objectives and Methods*. June, 1–16.
  10. Faboyede, S., Nwobu, O., Akande, O., & Oladipo, O. (2016). *Extensible Business Reporting Language (XBRL): A tool for accounting education in the 21st century. Journal of Accounting, Finance and Auditing Studies*, 2(3), 85–97.
  11. Galani, D., Alexandridis, A., & Stavropoulos, A. (2011). *The Association between the Firm Characteristics and Corporate Mandatory Disclosure the Case of Greece*. 5(5), 411–417.
  12. Guilloux, V., Locke, J. and Lowe, A. (2013), "Digital business reporting standards: mapping the battle in France", *European Journal of Information Systems*, Vol. 22 No. 3, pp. 257-277
  13. IFRSF. (2015), *Summary of the IFRS Taxonomy Consultative Group Discussions. ITCG Meeting 27 October 2015*. Available: <http://archive.ifrs.org/Meetings/Pages/ITCG-Face-to-FaceMeeting---October-2015.aspx>. Accessed on August 4th, 2019, IFRS Foundation, London.
  14. Indrit Troshani, Nick Rowbottom. "Digital Corporate Reporting: Research Developments and Implications", *Australian Accounting Review*, 2021
  15. Locke, J.; Lowe, A. (2007): "XBRL: An (Open) Source of Enlightenment or Disillusion?", *European Accounting Review*, vol. 16(3): 585-623.
  16. Locke, J., Lowe, A. and Lymer, A. (2015), "Interactive data and retail investor decision-making: an experimental study", *Accounting & Finance*, Vol. 55 No. 1, pp. 213-240.
  17. Locke, J., Rowbottom, N. and Troshani, I. (2018), "Sites of translation in digital reporting", *Accounting, Auditing & Accountability Journal*, Vol. 31 No. 7, pp. 2006-2030.
  18. Lymer, A. (1999): "The internet and the future of corporate reporting in Europe", *European Accounting Review*, vol. 8(2): 289-301.
  19. Lymer, A.; Tallberg, A. (1997): "Corporate Reporting and the Internet – A Survey and Commentary on the use of the WWW in Corporate Reporting in the UK and Finland", *Paper Presented at EAA'97, Graz, Austria*
  20. Singh, G. (2014). *XBRL in India—The Roadmap to Successful Adoption*. National Seminar on Research in Commerce and Management, February 2014. <https://doi.org/10.13140/RG.2.1.1270.2807>