

## eXtensible Insolvency Reporting Language (XIRL)



*The resolution plans offered in an iXIRL “tagged format”, would make them more machine readable, comparable, and cost-effective. Various elements of the plan would be wrapped around “unique tags” and thus associated with specific pieces of information. Resolution plan in iXBRL format can not only be directly read by humans, but also directly consumed by computers for analysis and scoring. At present XBRL filings with ROC are not user-friendly statements for readability and analysis purpose. These challenges can be sorted out when XBRL is extended under IBC.*

**Read on to know more...**



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### 1. Introduction

XBRL stands for eXtensible Business Reporting Language. It is a computer language designed to expedite financial reporting needs. XBRL is used to tag financial statement items so that machines can automate comparison and financial analysis. Chartered Accountants and Company Secretaries have been filing financial statements in XBRL formats with the Ministry of Corporate Affairs (MCA) as per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015. The Section 137 of the Act mandates the specified class of companies to file their financial statements and other documents with the Office of Registrar of Companies in e-Form AOC-4 XBRL, within 30 days of the date of annual general meeting<sup>1</sup>.

Financial bodies around the world have appreciated the benefits of standardizing the formats of financial documents. Software using XBRL to prepare, analyze and communicate financial documents have resulted in

<sup>1</sup> TaxGuru.in. (2018), Reporting of financial statements by a Company in XBRL, (<https://taxguru.in/company-law/reporting-financial-statements-company-xbrl.html>)

decrease in costs, increased efficiency, improved accuracy and reliability for makers and consumers of financial data. Furthermore, consistent, and unambiguous data is critical for data-analysis using conventional technologies, and is imperative for preparing, creation and analysis of resolution plan. The XIRL is proposed to be an extension of XBRL. Existing XBRL software could be expanded and used for the purposes of preparation, and analysis of resolution plans.

Insolvency regulators from around the world have adopted rules requiring Insolvency Professionals (IPs) to provide insolvency information in an interactive, machine-readable (i.e., structured XML) format, which inter-alia enables investors to capture and analyze information more effectively as well as help professionals automate their regulatory filings and business information processing, eventually reducing both maker and investor costs. The insolvency information filing practices in some of the economies are as follows:

1. In United Kingdom, the insolvency information is to be submitted by IPs in XML format using online forms<sup>2</sup>.
2. In Canada, the IPs use insolvency software to generate XML formatted information, which is mandatory for e-filing<sup>3</sup>.
3. In Australia, the Australian Financial Security Authority<sup>4</sup>, Australian Government provides online services for such filings.
4. Australian Securities & Investment Commission make extensive use of XML as means of information exchange<sup>5</sup>.

<sup>2</sup> The Gazette: Official Public Record, Insolvency web forms now Live (<https://www.thegazette.co.uk/insolvency/content/102301>)

<sup>3</sup> Innovation, Science and Economic Development Canada, eFiling: Guide for Insolvency Professionals ([https://www.ic.gc.ca/eic/site/bsf-osb.nsf/vwapj/E-Filing-Manual\\_EN\\_F\\_2013-04-30.pdf/\\$file/E-Filing-Manual\\_EN\\_F\\_2013-04-30.pdf](https://www.ic.gc.ca/eic/site/bsf-osb.nsf/vwapj/E-Filing-Manual_EN_F_2013-04-30.pdf/$file/E-Filing-Manual_EN_F_2013-04-30.pdf))

<sup>4</sup> Australian Financial Security Authority, Australian Government (<https://www.afsa.gov.au/online-services/b2g-system-integration/development-tools>)

<sup>5</sup> Australian Securities and Investments Commission (<https://sitesearch.asic.gov.au/s/search.html?query=xml&collection=asic&profile=asic>)

## 2. What is Taxonomy

Taxonomy is a set of tags which are standardized to contain specific information. These clearly defined tags capture the specific piece of information required in a typical resolution plan. These taxonomies will be developed by market forces using best practices, and may eventually be ratified by the regulator, and the Adjudicating Authority (AA). The resolution plans if offered in a “tagged format”, would make them more readable, comparable, and cost-effective. Besides, various elements of the plan would be wrapped around 'unique tags' and be associated with specific pieces of information. Plan taxonomies will include comprehensive definitions and accurate data tags to clearly define information that needs to be reported upon, which will eventually allow for preparation, validation, consumption, and its analysis.

Information in resolution plans reports prepared using the XIRL standards is interchangeable between different information systems in entirely different organizations across different countries and jurisdictions. The XIRL will create business rules that constrain the information being reported in a resolution plan. These rules can be logical or mathematical and will be used to:

- a) Stop poor quality information being added
- b) Stop poor quality information being accepted by the IPs
- c) Flagging or highlighting questionable information, allowing prompt follow up, correction or explanation.
- d) Create ratios, aggregations and other kinds of value-added information, based on the fundamental data provided.

**XIRL is a language for e-communication of financial health and insolvency status of CD. XIRL proposes to extend XBRL to e-communicate insolvency reporting by an RP and resolution planning by a Resolution Applicant.**

XIRL is proposed as a language for e-communication of financial data for insolvency reporting. It is proposed as a standardized communication language in electronic form to express financial health and insolvency status of a

Corporate Debtor (CD). XIRL taxonomy would define the elements and their relationships based on the requirement of the Insolvency and Bankruptcy Board of India (IBBI), the Regulator under IBC. IPs will be required to prepare CIRP instance documents by mapping the insolvency-data generated during their IBC assignments.

### 3. Resolution Plan Taxonomy

A typical resolution plan contains paragraphs such as investor profile, business plan, terms of resolution etc. These paragraphs contain chunks of unstructured information which makes it hard to compile within the plan and hard to compare across other resolution plans.

The AA is expected to legally analyze each piece of information contained in the resolution plan in order to ensure that the plan is just and equitable. This can be very time consuming since hundreds of paragraphs contain disparate chunks of information in an unstructured text, which makes it very difficult to analyze. The resolution plan taxonomies will enable

- a) The resolution applicants to prepare their resolution-plan in a consistent manner which will reduce time and cost of preparation.
- b) The insolvency professional uses computer software to check for any inconsistencies in the information provided in the plan.
- c) The committee of creditors to analyze various plans since similar information will be embedded in similar tags.

### 4. From XBRL to XIRL

The X in XBRL stands for extensibility, which means that new data-elements can be added to existing XBRL taxonomies (or new taxonomies can be developed using XBRL rules) in order to generate platform independent data in new domains. Extending XBRL into the domain of the IBC would offer the same benefits to IBC stakeholders as are being enjoyed by the financial community. Such extended XBRL taxonomy for the domain of IBC would enable several benefits of XIRL for various stakeholders which could be summarised as follows:



#### a) Insolvency Professionals (IPs)

- i. to automate the preparation and comparison of CIRP documents using existing XBRL software.
- ii. to publish CIRP documents and reports with confidence that the information contained in them is complete and ready to be consumed by any existing XBRL software.

**This will help resolution applicants to compare potential investment opportunities by analysing performance across different companies in disparate domains and geographies.**

#### b) Resolution Applicants

- i. to use existing XBRL software to analyze insolvency information in order to understand the relative risk of investing in insolvent companies.
- ii. to compare potential investments opportunities by analyzing performance across different companies in disparate domains and geographies.

#### c) Regulators (IBBI and IPAs etc.)

- i. to regulate the performance of IPs in order to ensure their legal compliance, quality and completeness of insolvency information they make available for international investors.

- ii. to simplify the process of insolvency reporting to other regulators by harmonizing data definitions and consolidating reporting obligations.

**d) Data Providers:**

- i. to use performance and risk information published into the marketplace and create comparisons, ratings and other value-added information products for other market participants.

## 5. Cross Border Resolution

With the advent of cross-border insolvency resolution, there will be tremendous increase in the flow of information across various jurisdictions. This will require the information in to be compiled and presented in a standardized format so that insolvency/ bankruptcy professionals across economies can use them without hassle. After implementation of the legal framework for cross border insolvency, which is pending the approval of the Parliament, insolvency/ bankruptcy professionals will demand information in a format which can be easily, and seamlessly consumed across national boundaries.

Therefore, there is an impending need to develop data-exchange systems that would facilitate standardized flow of information in order to enable machine-to-machine communication and data processing of information. Similar need arose in the context of exchange of financial information, which led to the development of (eXtensible Insolvency reporting language) XBRL, that successfully provided for common, electronic formats for business & financial reporting. It enabled communication of financial information between businesses and other users of financial information, such as analysts, investors and regulators.

**Most of the countries have published their version of XBRL taxonomies for financial statements to be prepared in accordance with IFRS, as issued by the International Accounting Standards Board.**

Most of the countries, today, have published their version of XBRL taxonomies for financial statements to be

prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IFRS). In a similar fashion, regulatory authorities around the world will eventually adopt rules requiring resolution applicants to provide resolution information in an interactive, machine-readable (i.e., structured XIRL) format. Use of XIRL will significantly reduce time and cost for preparers and consumers of relevant information and will enable:

- a) The IPs to compare resolution plans, from different applicants, especially for cross-border resolutions.
- b) The CoC to effectively analyze and compare various resolution plans.
- c) The resolution applicants to prepare their plans with confidence so that the information contained in them are complete and can be compared and analyzed accurately.
- d) The Adjudicating Authorities (AA) can analyze the plans and ensure their compliance with various laws.

## 6. XIRL Applications: Followings are the applications of XIRL:

- a) Document Creation: During the lifecycle of an IBC process, stakeholders are required to prepare several documents. They could be as under:
  - i. IPs are required to prepare investment teasers, Information Memorandum and Request for Resolution Plans (RFRP) for analysis and preparation of plans by resolution applicants.
  - ii. Resolution Applicants are required to prepare resolution plans for IP, CoC and AA.
  - iii. Other professionals are required to prepare documents like asset valuations, forensic audit reports, eligibility verification reports etc.

Most stakeholders use generic tools like MS-Word or MS-Excel and convert them into pdf formats, then exchange

them via emails. IPs would use existing XBRL software to create CIRP documents. Standardized way of preparing CIRP documents will:

- i. Simplify the collection of data, by avoiding inefficient, error-prone and time-consuming information and data.
  - ii. Lower the cost and time for preparation of such documents.
  - iii. Enable automatic validation of the data thereby highlighting errors and gaps which could be addressed while CIRP documents are being created.
  - iv. Enable automatic data handling thereby cutting out time-consuming and costly collation of information.
- b) Document Transmission:** The storage, aggregation and analysis of the data contained in the instance documents, as well as the metadata are contained in the relevant taxonomy within relevant business intelligence systems. Besides, the XBRL API is designed to standardize the method used to request XBRL data from any database containing XBRL-formatted data<sup>6</sup>.
- c) Document Analysis: During an IBC assignment life cycle, several documents are analyzed and reviewed by various stakeholders.
- i. IPs consume financial statements from MCA, documents from SEBI, and Listing documents from BSE/NSE relating to the CD.
  - ii. Resolution Applicants consume investment teasers, Information Memorandum, and RFRP documents.
  - iii. RP/CoC and AA consume Resolution Plans submitted by the resolution applicants for risk analyzing risk in various plans.

<sup>6</sup> XBRL Application Programming Interface (API) (<https://fddocuments.in/document/xbrl-application-programming-interface-api-2019-9-18-xbrl-api-version-1.html>)

**7. Additional Benefits of XIRL:** XIRL will enable consumers of insolvency documents to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly, and re-entry of data. They can focus on insolvency data-analysis, aided by software which can manipulate machine-readable XIRL data in any format desired by the stakeholders. Use of XIRL in data analysis will:

**At present XBRL for financial statements in Registrar of Companies (ROC) are not user-friendly statements for readability and analysis purpose.**

- a) Facilitate automatic exchange and reliable extraction of insolvency information across diverse software applications by various stakeholders.
- b) Generate trust amongst disparate stakeholders thus enabling effective cross-border resolutions.
- c) At present XBRL for financial statements in Registrar of Companies (ROC) are not user-friendly statements for readability and analysis purpose. It is very difficult to understand. These challenges can be sorted out when XBRL is developed under IBC.

## 8. What's next for Regulator/ Government

XIRL is possibly going to be the most important new technology to be developed for insolvency stakeholders. It will make previously expensive and/or hard to gather information almost costless. XBRL has been used for financial and prudential reporting in India for several years. It is time for XBRL to be deployed in the field of insolvency & bankruptcy to facilitate filings and collect high-quality digital data that is easy to access, analyze and compare. Taxonomies take time to mature. Any new taxonomy will have inconsistencies and missing elements that need to be worked overtime. The more a taxonomy is used, the more feedback is received, the better the taxonomy becomes.

The XBRL standard provides two different formats of

electronic reports: XBRL and Inline XBRL (iXBRL). Both types of report provide tagged data in the form of a set of facts. Documents in iXBRL format can not only be directly read by humans, but also directly consumed by computers for analysis and scoring. At present XBRL filings with ROC are not user-friendly statements for readability and analysis purpose. These challenges can be sorted out when XBRL is developed under IBC. XIRL can be planned to be in the "inline" format. This will allow for the same resolution-plan document to be both machine and human-readable by default. IPs can easily verify the plan for its compliance with existing laws, CoC can easily analyze and score the plan, and NCLT can approve the plan in shorter time.

## 9. Sample Section of Resolution Plan Taxonomy

### Proposed Elements

- 05. Business Plan
  - 05.00 Cause of Default & Remedies
    - 05.00.01 Cause of Default
    - 05.00.02 Addressal of Default - Reg 38(3)(a)
    - 05.00.03 Feasibility of Plan - Reg:38(3)(b)
  - 05.01 Financial Restructuring
    - 05.01.02 Reformation of Financial Stmtts.
    - 05.01.03 Amendment in Constitution - Reg:37(h)
  - 05.02 Operational Restructuring
    - 05.02.01 Transfer of Assets - Reg:37(a)
    - 05.02.02 Sale of Assets - Reg:37(b)
    - 05.02.03 Change Goods Produced - Reg:37(j)
    - 05.02.04 Change in Services Rendered - Reg:37(j)
    - 05.02.05 Change in Technology - Reg:37(k)
    - 05.02.06 Critical Shared Services
    - 05.02.07 Operational Interconnectedness
    - 05.02.08 Capital Management Policy
  - 05.03 Organizational Restructuring
    - 05.03.01 ~Proposed Ownership
    - 05.03.02 Proposed Board
    - 05.03.03 Proposed Management
  - 05.04 Ownership Structure
    - 05.04.01 Cancellation of shares -

**IBBI should initiate a discussion with insolvency and technology professionals for the preparation of a taxonomy that captures and standardized specific reporting requirements.**

IBBI should initiate a discussion with insolvency and technology professionals for the preparation of a taxonomy that captures and standardized specific reporting requirements. Besides, the Information Memorandum should be made using the IM taxonomy. This should be easy since most CA/CS are already conversant with XBRL software. The Resolution Applicants should be encouraged to submit their resolution plans in XIRL format (besides pdf). Thus, the resolution plans can be checked for IBC compliance, and can be easily compared and automatically scored.

### JSON/XML Output

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    "tags": "[[05. Business Plan]]",
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Reg:37(ca)

05.04.02 Acquisition of shares - Reg:37(cc)

05.04.03 Issuance of securities - Reg:37(i)

05.05 Future Projections

05.05.01 Cash Flow Projections

05.05.02 Operational Efficiencies Expected

05.06 Plan Implementation

05.06.01 Implementation capability -

Reg:38(3)(e)

05.06.02 Post Approval of Resolution Plan

05.06.03 Effect of the order of NCLT

05.06.04 With effect from the Effective Date

05.06.05 Effect Date Actions

05.06.06 Entitlement to RA on Eff. Date

05.06.07 Provisions for Effective Implementation -

Reg:38(3)(cc)

05.06.08 Resolution Plan Implementation - Sec 30(2)(d)

05.06.09 Term & implementation schedule - Reg 38(2)(a)

05.06.10 Management of Business - Reg 38(2)(b)

05.06.11 Revision of plan after approval by CoC

05.06.12 Withdrawal of Plan prior to approval by CoC

05.06.13 Amendments to the Resolution Plan

05.07 Plan Monitoring

05.07.02 Means of supervision - Reg:38(2)(c)

05.07.03 Management of CD - Sec 30(2)(c)

05.07.04 Communications and Reporting

05.07.05 Risk Governance & Measurement

05.08 Cost & Funds

05.08.01 Total Cost of Plan

05.08.02 Sources of Funds

05.08.03 Proposed Timeline for Funding

05.08.04 Proposed Instruments for Infusion

05.08.05 Security for Residual Payment

05.08.07 Security Interest Satisfaction - Reg:37(d)

05.08.08 Waiving of Breach of Terms - Reg 37(e)

05.08.09 Change in terms of debt - Reg:37(g)

05.08.10 Fresh Fund Infusion

05.08.11 Upfront Cash

05.08.12 Net Present Value for FC

05.08.13 Payment to other Creditors

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