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# Influence of Classification of Accounting Entities for Reporting in the Context of Legislative Changes[1]

**Renáta Stanley**
University of Economics in Bratislava, Bratislava, Slovakia

**Abstract**
Constantly changing accounting legislation brings about the addition of new groups of entities in response to adopted amendment no. 352/2013 Coll. to the Accounting Act with effect from 1.1.2014 by a directive of the European Parliament and of the Council 2012/6/EU has allowed Member States of the European Union to reduce the bureaucratic burden of accounting and preparing financial statements. The largest change in the Accounting Act is introducing a new type of entity "micro entity". Classification of accounting entities for small entities and large entities was expanded with effect from 1.1.2015. Each of these accounting entities has special rules for preparing financial statements. To a certain extent the legislation allows the choice of entity classification by size criteria. The right choice has an impact on the processing demands of the financial statements of accounting period 2015 and for the economic decisions of managers and external users in 2016. The aim of the article is to provide overview of the new groups of entities and characterize these entities and the legislation under which the procedure for accounting and reporting is conducted.

**Keywords**
Micro entity, small entity, large entity, accounting principles and methods, amendment, financial statements.

1 This article was processed as one of the outputs of the project Scientific Grant Agency of the Slovak Academy of Sciences and MŠVVaŠ no. 1/0122/14 (2014-2016) The importance of pricing of transactions between related parties and their impact on the profit entity.

## Introduction

Amendments and additions, which have been adopted by amendment No. 352/2013 coll. to Act No. 431/2002 coll., On accounting as amended (the "Accounting Act"), with effect from 1.1.2014 were intended to reduce the bureaucratic burden associated with accounting and preparing financial statements. It introduced a new concept of "micro entity" in section 2 paragraph 5 and 6 of the Accounting Act, which characterizes micro entity and specifies the conditions which if the entity complies with the two immediately consecutive accounting periods, it can decide whether to be considered as a micro entity or not. (Ministry of Finance of the Slovak Republic, 2002a)

This amendment is followed by another governmental draft of Accounting Act from August 2014, which extends the distribution of entities on micro, small and large, as required by the directive of the European Parliament and Council directive 2013/34 / EU of 26 June 2013 on the annual accounts, consolidated financial statements and related reports of certain types of enterprises ('the Directive on the Annual Accounts") with effect from 1.1.2015. The criteria under which entities are classified into size groups are appointed in the context with this draft.

## 1. Classification of accounting entities

The size criteria are decisive for the classification of an accounting entity to size groups. The tested elements are:

- total assets – amount calculated from the balance sheet after taking into account the revaluation adjustment and after less accumulated amortization (note: until 31 of December 2014 gross assessed value, from 1st of January 2015 there was a change in the legislation),

- net turnover – gains from sales of products, goods and services, after deduction of discounts, while the accounting entity whose business is earning other revenues such as revenues from sales of products, goods and services, to the net turnover include other revenues after deduction of discounts,
- average calculated number of employees – without specifying the calculation procedure.

Classification of accounting entities by size groups for the purpose of compiling the individual financial statements will be based on fulfilment of at least two of the three conditions defined size for companies and cooperatives and entrepreneur who accounts voluntarily in the double-entry bookkeeping listed in Table 1, Classification of accounting entities by size groups from 2015.

**Table 1** Classification of accounting entities by size groups from 2015

| Size groups | Total assets (A) Net in EUR | Net turnover (T) in EUR | Average calculated number of employees (E) |
|---|---|---|---|
| Micro accounting entity | A ≤ 350 000 | T ≤ 700 000 | E ≤ 10 |
| Small accounting entity | 350 000< A ≤ 4 000 000 | 700 000< T ≤ 8 000 000 | 10< E ≤ 50 |
| Large accounting entity | A > 4 000 000 | T > 8 000 000 | E > 50 |

**Source:** The authors

Accounting entities will need to change their status, if they exceed or do not fulfil the size criteria in two consecutive accounting periods (at least two). Reclassification to size category will always be performed from the next accounting period.

Only **newly formed accounting entity** has a choice of size classification at its own decision and remains in this size group in a consecutive accounting period as well.

When an accounting entity decides to use advantage of micro entity it is obliged to do so in all accounting periods if it satisfies the established criteria in order to ensure comparability of data in the financial statements. An entity that fulfils the criteria for micro entity may decide to be processed as a small entity. According to the Accounting Act, as in force until 31 December 2014, when an entity decided that it is not seen as a micro entity, from January 1, 2015 it will be considered automatically a small entity.

In assessing the size criteria for changing accounting period is examining the conditions for shorter periods incurred in:

- creation of an entity,
- a change in the accounting period from calendar year to business year, business year for another business year or the business year to the calendar year,
- discontinuation of the entity.

The entity shall proceed to the classification of the above mentioned size classes for the first time since January 1, 2015, based on the data compiled financial statements for the year 2014. If an entity applies the accounting period **calendar year**, the size criteria will be assessed as at 31 December 2014 and accounting period immediately preceding 31 December 2013.

If an entity has an accounting period of the **business year**, assesses compliance, respectively exceeding the size criteria for the accounting period beginning in the calendar year 2015. This means that if an entity has a year from 1.4.201x to 31.3.201x + 1, the size criteria will be considered when preparing financial statements for the period April 1, 2014 to March 31, 2015, and the period immediately preceding March 31, 2014.

## 2. Financial statements of accounting entities

### 2.1. Micro entity

A micro entity is considered to be an entity fulfilling the criteria set out in the Table 1 for two consecutive accounting periods, but also such entity that two of the criteria of size exceeded in only one of two consecutive accounting periods. Existing micro entity is not entitled to act as a micro entity, if specified criteria exceeded in two consecutive financial accounting periods, it means no longer fulfils the size criteria.

For micro entity could be not considered an entity that:

- does not satisfy the size criteria,
- was considered micro entity, but in two consecutive accounting periods exceeded the size criteria,
- prepare financial statements in accordance with International Financial Reporting Standards,
- is registered with the National Bank of Slovakia,
- is the public interest entity.

Benefit from the possibility to be a micro accounting entity is manifested at two levels - in the area of accounting and reporting.

In the field of **accounting** for the said benefits for micro entities are that securities and shares valued when initially recorded by acquisition cost and stay at this evaluation for the date of the financial statements as well. Assets and liabilities are not measured at fair value and assets are not valued by the equity method.

The basic legal norm which concerns the area of accounting for all entities is the Accounting Act. Accounting methods for all entities are enshrined in Measure of the Ministry of Finance of the Slovak Republic of 16 December 2002 No. 23054/2002-92, On stipulation of details of accounting procedures and framework chart of accounts for entrepreneurs keeping double-entry accounting ("accounting procedures"). (Ministry of Finance of the Slovak Republic, 2002b)

**Reporting** of individual items in the financial statements for new types of entities requires the need for approval of new measures for each group of accounting entities.

For **micro entity,** Measure of the Ministry of Finance of the Slovak Republic no. MF / 15464 / 2013-74 of 11 December 2013 approves defining details of the arrangement, marking, and content specification of items of an individual financial statement and extent of data determined for publication from an individual financial statement for micro entities ("measure of the financial statements for micro entities"). This measure was used for the first time for the preparation of financial statements of micro entities as of 31 December 2014. (Ministry of Finance of the Slovak Republic, 2013)

According to amendment no 352/2013 Coll. to the Accounting Act, it is allowed to compile financial statements in the so-called "**short form**" for micro entity (balance sheet, income statement and notes in short form). Details of their preparation determine the measure of the financial statements for micro entities The specimen is Appendix no. 1 to measure of the financial statements for micro entities.

General requirements for the first page of this Appendix and its individual parts of financial statement of micro entity are labelled:

- Úč MUJ 1 - 01 for Balance sheet;
- Úč MUJ 2 - 01 for Profit and loss statement;
- Úč MUJ 3 - 01 for Notes.

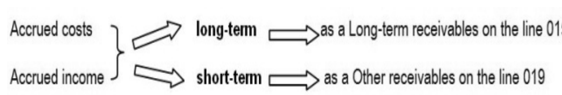
The first financial statements in simplified form were possible to compile for micro entity for the financial year beginning on 1 January 2014. The figures are reported in the financial statements of micro entity in euros in the whole.

Simplification of reporting data of micro entity covers the following areas:

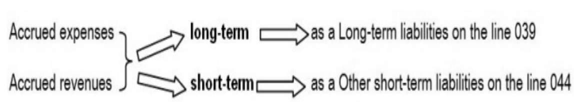
- assets are only recognized in net value (after taking into account accumulated depreciation and provisions)
- the balance sheets are not reported separately accruals, but reported within receivables and payables,
- the balance sheet and income statement are more aggregated,
- a significantly reduced extent of the information provided in the notes.

Accruals are not recognized in the **balance sheet** of micro entity separately, but are recognized concurrently with the following items of assets and liabilities as follows:

***Item on the asset side***




***Items on the liabilities side***




**Profit and loss statement** of micro entity has also an abbreviated range on two sides and is part of the Appendix 1 to measure the financial statements for micro entities. The individual items are aggregated to the level of some account groups. Profit and loss statement also contains an indicator – the added value which involves production, consumption and production margins. Although these indicators are not isolated as in the profit and loss for the small and large entities, it is not difficult to find them.

Information disclosures in the **notes** of micro entity usually have three A4 pages. The required elements include:

- general information (e.g. name, address, information about the consolidated group, the average number of employees),
- information on the procedures adopted (e.g. comply with the assumptions going con-

cern, the accounting principles and methods),
- information that explains and complements balance sheet and profit and loss (e.g. the information about liabilities, own shares, executive body of the company).

As the most significant changes in the financial statements have occurred the first in micro entities, therefore it is dedicated to the largest part of this contribution of the micro entity.

Other accounting entities (small and large) for compilation of financial statement to 31 of December 2014 followed the existing Measure of the Ministry of Finance of the Slovak Republic of 31 March 2003, No. 4455/2003-92 defining details of the arrangement, marking, and content specification of items of an individual financial statement and extent of data determined for publication from an individual financial statement for entrepreneurs using double entry bookkeeping ("measure of the financial statements"). (Ministry of Finance of the Slovak Republic, 2003)

## 2.2. Small entity and large entity

The amendment to the Accounting Act with effect from 1 January 2015 brought two new entities – small entity and large entity. Criteria for classification of accounting entities in the small accounting entity are presented in the second row of Table 1 and into large accounting entity are presented in the third row of Table 1.

Small and large entity process bookkeeping during the accounting period according to the current accounting procedures is applicable to all types of entities. **Small accounting entity** uses the **first time in 2015** for the preparation of financial statements new Measure of the Ministry of Finance of the Slovak Republic no. MF / 23378 / 2014-74 of 3 December 2014 defining details of an individual financial statement and extent of data determined for publication from an individual financial statement for small entities ("measure of the financial statements for small entities"). (Ministry of Finance of the Slovak Republic, 2014b)

**Large accounting entity** in preparing the financial statements for the **first time in 2015** according to the new Measure of the Ministry of Finance of the Slovak Republic no. MF / 23377 / 2014-74 of 3 December 2014 defining details of an individual financial statement and extent of data determined for publication from an individual financial statement for large entities ("measure of the financial statements for large entities"). (Ministry of Finance of the Slovak Republic, 2014a)

Development of legislative changes for different types of entities in the financial statements is presented in Table 2, Overview of legislative changes for the preparation of financial statements.

**Table 2** Overview of legislative changes for the preparation of financial statements

| Date of compilation Financial statement | Micro entity | Small entity | Large entity |
|---|---|---|---|
| 31 December 2013 | measure of the financial statements | | |
| 31 December 2014 | measure of the financial statements for micro entities | measure of the financial statements | |
| 31 December 2015 | measure of the financial statements for micro entities | measure of the financial statements for small entities | measure of the financial statements for large entities |

**Source:** The authors

Financial statements of small and large entities have the same basement of statements, as well as general requirements, where they can indicate whether they are large or small. Individual parts of financial statement for small and large entities are labelled:

- Úč POD 1 - 01 for Balance sheet;
- Úč POD 2 - 01 for Profit and loss statement;
- Úč POD 3 - 01 for Notes.

The most significant differences between small and large accounting entities are in the compilation of notes, especially in the range. For a complete overview of reporting differences for all three types of accounting entities see Table 3, Differences in reporting.

**Table 3** Differences in reporting

| Description | Micro entity | Small entity | Large entity |
|---|---|---|---|
| Balance sheet | Simplified, 2 pages, 45 lines | 8 pages, 145 lines | |
| Profit and loss statement | Simplified, 2 pages, 38 lines | 4 pages, 61 lines | |

| Notes (contents for example): | Simplified, 3 pages or more | Simplified, 5 pages or more | Not simplified, 11 pages or more |
|---|---|---|---|
| ▪ Name, address | Yes | yes | yes |
| ▪ Description of activity performed | No | yes | yes |
| ▪ Number of employees | yes (only some data) | yes (only some data) | yes |
| ▪ Overview of long-term assets | No | no | yes |
| ▪ Overview of reserve | No | no | yes |
| ▪ Statement of changes of equity | No | no | yes |
| ▪ Cash flow | No | no | yes |
| ▪ Related party transactions | yes (only for other financial duties and contingent liabilities) | no | yes |
| ▪ Events after the date on which finan-cial state-ments are compiled | No | yes | yes |
| ▪ Accounting principles and methods | Yes | yes | yes |

**Source:** The authors

## Conclusion

The aim of this paper was to provide an overview of changes in financial legislation concerning classification of entities for the latest period. The legislation has passed significant changes in the financial statements and reporting data relative to the introduction of new types of entities. Many changes in data reporting in the financial statements related to the interdependence of businesses and transfer pricing. As shown in Table 2, accountants and managers who are responsible for the financial statements must not only monitor changes, but also study the possibilities of each classification allows. With the right knowledge of the legislation so they can make decisions that allow either to simplify the financial statements in the case of micro entity, or on the other hand, provide more comprehensive information for potential investors and cooperation in the case of small and large entity. SM

✉ **Correspondence**

**Renáta Stanley**

University of Economics in Bratislava
Dolnozemská cesta 1, 852 35, Bratislava, Slovakia

E-mail: renka.stanley@gmail.com

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Ministry of Finance of the Slovak Republic. (2003). *No. 4455/2003-92 defining details of the arrangement, marking, and contentspecification of items of an individual financial statement and extent of data determined for publication from an individual financial statement for entrepreneurs using double entry bookkeeping.* Bratislava: Ministry of Finance of the Slovak Republic.

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Ministry of Finance of the Slovak Republic. (2014a). *No. MF / 23378 / 2014-74 defining details of an individual financial statement and extent of data determined for publication from an individual financial statement for small entities.* Bratislava: Ministry of Finance of the Slovak Republic.

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# Possible Avenue of Implementation of the XBRL Standard for Maximum Possible Efficiency of Financial Reporting in the Republic of Serbia

**Emina Đurković**
University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia
**Ljiljana Dmitrović Šaponja**
University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia
**Ozren Đurković**
University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia

**Abstract**

One of the possible motives of implementation of XBRL financial reporting standards is based on the automatic production of high-quality data on company performance. Bearing in mind the fact that its application in many countries of Europe, Asia and America is compulsory, it becomes clear that the only feasible way for our companies is to accept the change as soon as possible and start working on the implementation of standards with the support of the state.

It is necessary to accept that XBRL is an ideal solution for achieving the desired quality of financial reporting, which is stated as an objective in all national accounting and auditing legislation. The aim of this paper is to point to the possibility of adaptation of XBRL standards in the Republic of Serbia, with particular reference to the standard implementation process in developed market economies and the neighbouring countries.

The motive for writing a paper on the topic of XBRL is more attractive than actuality, if we consider how far its use went in developed countries. However, the need for solving the problems of financial reporting in our country is an imperative and at the same time contains a scientific interest. The question is, whether the model of implementation of XBRL in Serbia would differ significantly from the model applied in other neighbouring countries.

**Keywords**

XBRL, implementation, comparative overview, proposed implementation.

## 1. XBRL standard – definition

Bergeron argues that Extensible Business Reporting Language (XBRL) is a technological standard for transparent business and financial reporting that promises revolution in the finance industry. With XBRL, standard based on XML (Extensible Markup Language), companies can seamlessly exchange financial data in real time (Bergeron, 2003, p. xi).

As the conceptual creator of XBRL, Watson argues that its fundamental meaning is that it is a language facilitating efficient and effective bridging of the gap between different business systems. XBRL is the global standard for business reporting (Hoffman & Watson, 2009, p.1).

XBRL is an XML-based programming language, which was created in the so-called open standard. It is available free of charge, market oriented, open and global standard of exchange of business information and thus it significantly changes the way financial information is presented to internal and external users. XML is a simple, flexible textual format designed to meet the needs for electronic disclosure of large-scale data. It plays a significant role in the exchange of different data on the network. (Stergiaki, Stavropoulos & Lalou, 2013, p. 15).

XBRL enables the reuse of financial information in an intelligent manner (Eierle, Ojala, & Penttinen, 2014, p. 160). It is important to note that XBRL is not a new accounting standard, and does not require any changes of the existing accounting standards. XBRL supports the existing standards, providing extended consistency of once entered data (SoftwareAG, 2002, p.5).

The technical specifications of XBRL were developed by a non-profit international consortium and their task forces, whereas the specific taxonomies of individual countries are developed by their accountants and experts. The reason for this is that accounting rules differ from one country to another, so that XBRL standard specification must be carried out in each individual country. Hannon defines XBRL as a "standard for simplifying exchange of financial statements, performance reports and other business information between software programs" (Hannon, 2005, p. 57).

The development of XBRL was fist initiated by the American Institute of Certified Public Accountants (AICPA) in July 2000, with the aim to improve financial reporting in all its different procedures, processes, within and outside reporting companies (Arndt, Isenmann, Brosowski, Thiessen, & Marx Gomez, 2006, p.3).

## 2. Functioning of the XBRL business reporting standard

It is easy to notice that XBRL is an elegant solution and a part of a broader set of organizational and sociological relations within national and international solutions. The original design of XBRL sets the standard as a general solution of the need for business reporting. The specific areas of knowledge are represent in taxonomies rather than in spedification. This brings about a necessary dose of flexibility of such a system (Debreceny, 2007, p.6).

The taxonomies (nomenclatures) provide rules for defining XBRL tags. For instance, the Generally Accented Accounting Principles represent taxonomy (Software AG, 2009, 9.p). We can also say that taxonomies are a set of defined elements used by computers to understand business data (Singerova, 2015, p. 136).

The initial development of XBRL taxonomy and specific coding for the purpose of financial reporting was carried out inernationally by a non-profit consortium of over 450 global financial service and accounting organizations, and the countries' exchanges and regulatory bodies (Gomaa, Markelevich, & Shaw, 2011, p. 155).

The XBRL standard should be accepted as an "informatic standard set to only tag discrete information. When these tags have been assigned, it is possible to extract only the desired information, instead of copying, or downloading or printing entire documents. As the standard enables approach to financial data of different industries as well, it is also possible for the obtained data to be easily and quickly comparable (Polić, 2011, p. 271-272).

Taxonomy represents more than identifying the content of an entered number. It can evaluate and confirm that a piece of information related to a certain item such as revenue, ammortization or lease expiry date, is structurally correct, that is, that the information is within a certain range of values (for instance, only positive numbers) or has a correct alphanumeric sequence (such as two letters followed by five numbers). The nomenclatures are extendable, which means that it is easy for users to create adjusted tags when necessary, and when the standard nomenclatre does not describe or classify exeactly certain items. In this, the tags do not have to be defined only for accounting data (Ventana Research, 2008, p.4).

XBRL works by tagging data with a standard description that enables other applications to understand the meaning and the context of specific information within a financial documents. The result is data that is entered only once and understood constantly and correctly every time afterwards. There is no need for repeated entry and there is no dilemma about what a number once entered represents (SoftwareAG, 2002, p.4).

"In addition to the official, international parts of the taxonomy of standards required for the functioning of the reporting technology by the use of XBRL, all countries that opted to utilize this standard, and there are an increasing number of them, also add to the existing environment of the taxonomy certain elements of taxonomy appropriate to the specific features of national legislation. After verification, these parts become an integral part of the international standard. Thus individual parts of national taxonomies become transpartent in the total worldwide environment." (Polić, 2006, p.377)

In support of the previous statement of author Polic (2006) we show the process of XBRL reporting in the US, where there is just noticeable the use of international taxonomy, as well as national, in this particular case US-GAAP (Figure 1).

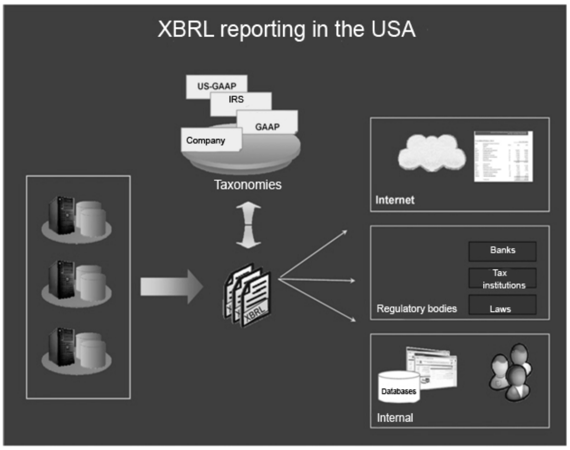


**Figure 1** XBRL reporting process on the territory of the USA
**Source:** Pasmooij, 2010

The fundamental difference between financial statements created in .xls or .pdf format is that they can be read only by man, unlike XBRL, which is readable by a computer. Thus XBRL offers better and easier analyses (Singerova, 2015, p.136).

Several parts must be in place before and XBRL solution is implemented (SoftwareAG, 2002, p.7):

- Taxonomies must be developed and approved for specific industries and geopolitical areas. Countries must agree with the accounting principles that XBRL supports;
- Accounting experts must provide XBRL documents as a part of their auditing procedures;
- Accounting software sellers must have products that are in copliance with XBRL

It must be noted that there is a large number of commercial software using the principles of XBRL reporting. Some of them are sophisticated, must be purchased, require licenses and serious training to be used. Apart from these, there are cheaper, even free products enabling appropriate analyses. The Securities and Exchange Commission (SEC) itself provides a so-called XBRL reader that converts interactive data into those readable by man (Gomaa, Markelevich, & Shaw, 2011, p.155).

One of the simplest solutions perhaps is the use of integrated web services. They are ideal support to the use of XBRL standards as they are based on the XML standard. Web services are web based aplications or software components achieving interaction with other web applications. In this was they communicate and share data. Thus web services feature as ideal architecture for the automation of business processes by using internet technologies. Furthermore, detecting possible errors, which is a part of XBRL specification, appears at the source of data rather than when information already reaches a third party (SoftwareAG, 2002, p.5).

## 3. The main factors of success of XBRL

A condition that must be met for any XBRL solution to be successful is its ability to convert and channel financial information from existing systems without influencing them. Information that are not suitable by XBRL rules must be converted into those that are XBRL supported so that they can be used (SoftwareAG, 2002, p.7).

XBRL is also called "bar code for reporting" and makes it as precise and efficient as possible. It enables linking unique tags with facts in reports, and allow (XBRL The Bussines Reporting Standard, N/D):

- presenting reports without fear that they are not correct,
- testing reports in relation to sets of set rules, before verifying the correctness of these reports,
- using information as it best suits users and their needs, regardless of the difference in language, currency, etc.,
- using information that are in accordance with a set of predefined sophisticated rules.

For the use of XBRL to be successful, some of the most serious mistakes in its use should be avoided:

- Mapping errors feature as the most serious of all errors. Mapping itself is a process where all accounting concepts are identified, as well as the related amounts of a company's report with the adequate element from established taxonomies of each country. Errors that occur are the errors of creating unnecessary new elements or the choice of of inadequate elements from taxonomies;

- Errors in extensions: extensions represent a process of creating new XBRL elements in taxonomies that contain the information required for creating reports that are unique for a certain company. Due to its complexity, this process is in most cases entrusted to third parties. It includes the errors of inability to establish proper mathematical relations between elements and representing elements at the wrong location in reports;
- Tagging mistakes: data tagging is the process of approach to numeric and textual data for financial reporting including the expression of currency, time periods and measure units. It includes errors in data entry and ascribing incorrect expressions to values of individual elements;
- Creation and validation errors, which imply failure to validate an XBRL document manually or with software.

Under the supposition that we are able to avoid making these errors, we shall see numerous benefits from the use of XBRL financial reporting standard (overview in Figure 2).

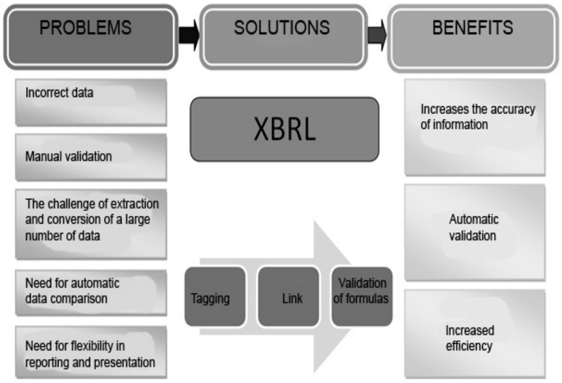


**Figure 2** Benefits from the use o XBRL reporting standard (Vyas, 2015)

We can conclde that the XBRL standard provides the following benefits of use (Polić, 2011, p.278):

- lower preparation costs, timely reporting and greater flexibility of reporting,
- simplified approach to information, transparency of information,
- information in general format for distribution.

## 4. Implementation overview of XBRL in some developed market countries of Europe

The section below gives an overview of adoption of XBRL standards in the countries of the European Union, in developed market countries and neighbouring countries.

### 4.1. Implementation of XBRL standards in developed market countries of the world

After the American Institute of Certified Public Accountants (AICPA) decided to establish the XBRL international consortium, 2002 also saw the establishment of it national jurisdiction. Each of them has the duty to create their own XBRL applications and taxonomies, in compliance with their models of financial statements. They also have an educational role, explaining what are the essential benefits of XBRL and providing manners for its implementation (Escobar-Rodriguez & Gago-Rodriguez, 2012, p. 97).

The resolutions of the European Parliament dated 21 May 2008 and 18 December 2008 show an obvious concern that XBRL should be implemented at the EU level, with the aim to improve reporting. It was specified that new technologies, such as electronic reporting formats like XBRL, can enable fulfilment of demands for efficient, effective and rapid reporting.

The year 2012 saw the establishment of the non-profit organization XBRL Europe, with the objective of promoting a platform for creating and exchange of business information at the level of Europiean countries, promoting and supporting the standardization of electronic business reporting by the use of XBRL standards, supporting European projects related to the XBRL standard, developing European taxonomies and contributing to the harmonization of national implementation processes, etc. It must be mentioned that the development of XBRL is strongly supported by software producers, and added that it is necessary to perform complex analyses of these to make the choice appropriate. (Enachi & Andone, 2015, p.187).

The European Central Bank plays the leading role as the supervising bank to all other national central banks in establishing a flexible, cost-effective reporting system that does not produce errors. Although the European Union has 28 member countries, plus 32 more outside the European Union, with over 200 languages in use, XBRL can be a unique tool for enhancing the competitiveness of European companies. The Central Bank of Belgium has prescribed compulsory reporting by the use of XBRL since 2007, and this obligation has been in force in Denmark since 2012, in Spain since 2009, in Great Britain since 2008, in Italy since 2011 (Singerova, 2015, p. 134).

Researching the acceptance and use of XBRL in 100 companies from the European Union, Stergiaki, Stavropoulos, & Lalou reached a conclusion that most of them are satisfied with its output and perspective, and that they strongly support the use of the XBRL standard (Stergiaki, Stavropoulos, & Lalou, 2013, p.14).

Altough the XBRL is not the only reporting standard, German financial authorities have chosen XBRL as the compulsory standard for transfer of tax information since December 31, 2011. It is noticeable, however, that XBRL enthusiasts have difficulties in persuading decision makers in companies to accept it. By all means, successful XBRL projects support their introduction and exert pressure on competing companies that still have not accepted it as a solution (Felden, 2011, p. 162).

Two more XBRL projects are worth mentioning, the Common Reporting (COREP) framework and the Financial Reporting (FINREP) framework, proscribed by the European Banking Authority (EBA), the official supervisory body, which represent the new European reporting frameworks for harmonizing supervision and reporting for regulated institutions (Accenture, 2015, p.3).

**Table 1** Member countries of XBRL Europe and XBRL International

| *XBRL Europe* | *XBRL International - jurisdictions* | |
|---|---|---|
| **XBRL Interantional** | IFRS | XBRL Korea |
| **XBRL Luxembourg** | XBRL Belgium | XBRL Luxembourg |
| **XBRL Netherlands** | XBRL Canada | XBRL Netherlands |
| **XBRL Spain** | XBRL China | XBRL Russia |
| **XBRL Germany** | XBRL Denmark | XBRL South Africa |
| **XBRL France** | XBRL Europe – as an affiliation | XBRL Spain |
| **XBRL Italy** | XBRL Finland | XBRL Sweden |
| **XBRL Belgium** | XBRL France | XBRL Switzerland |
| **XBRL Denmark** | XBRL Germany | XBRL Turkey |
| **XBRL United Kingdom** | XBRL France | XBRL UAE |
| **XBRL Sweden** | XBRL India | XBRL US |
| **XBRL Finland** | XBRL Italy | XBRL UK |
| | XBRL Ireland | XBRL Japan |

**Source:** Authors

Table 1 shows an overview of all members of XBRL International and XBRL Europe in 2016. The members of XBRL International are, in fact, established jurisdictions that are representatives of their own countries, and their task is to work on the adaptation of standards in companies, on the development of taxonomies, to provide training and supply any other help. Each of the established jurisdictions has some special tasks which are in accordance with rues in force in certain countries (XBRL International, 2016).

## 4.2. A comparative overview of implementation of XBRL in the neighbouring countries

Based on available data, the following section gives an overview of the implementation process in the Republic of Croatia, Republic of Montenegro and Republic of Slovenia.

### Implementation of XBRL in the Republic of Croatia

The current use of XBRL standards in Croatia is at a very high level, as, like in Serbia, there is no obligation to apply the standard, nor are there current projects that would present its functioning in real life. Only the Central Bank of Croatia uses COREP and XBRL in reporting to EBA. COREP is used quarterly for supervision of credit institutions, which functions so that they forward reports to the Central Bank in XML standard with the use of Excel, and the latter extracts the required data and converts them to XBRL format.

The Croatian Agency for Supervision of Financial Services (HANFA) is also considering the use of the XBRL standard, although in accordance with the same principle as the above mentioned example, because resources and time are saved in this way. Apart from these two examples, no use of the standard is recorded, apart from a few companies that are trying to promote it, mostly by organizing courses on this subject (Gostimir, 2015, p.37)

### Implementation of XBRL in the Republic of Montenegro

Having reviewed the relevant accounting legislation of Montenegro, we obtain the information that, although there is an obligation to submit reports in hard copy or electronic format to appropriate institutions, the legislation does not recognize the importance of standardization of financial reporting for the needs of information exchange. This means that companies are forced to forward these reports to a large number of different bodies, which definitely requires additional resources.

A key role in the implementation should be played by professional organizations and the state, which should implement all accounting legislation. Also, it is not clearly determined who has the right and obligation to implement international professional regulations, which consequently means lack of supervision and control of professional accounts.

It is necessary for professional accounting organizations and regulatory bodies to initiate a large number of activities for electronic bookkeeping and submitting financial statements. The state must take over the greatest responsibility in the entire process, including raising awareness of the importance of XBRL (Martić, 2015, p. 289).

### Implementation of XBRL in the Republic of Slovenia

Although both Slovenia and Croatia are members of the EU, it seems that not much is being done in these countries when it comes to XBRL. Slovenia uses the Common Reporting (COREP) and the Financial Reporting (FINREP) frameworks for financial reporting.

Although the professional literature in this area is extremely scarce for all neighbouring countries, it is noticeable that reports are submitted in electronic format as .pdf documents, Excel or Word documents, whereas reporting in accordance with the XBRL standard is not used although there is a potential for its implementation in the future. If some of the documents are compiled in accordance with the standard, they are not publically available (IFRS, 2015, p.1)

Slovenia definitely lags behind other EU member countries in the application of the standards. The first step was made in 2004, when Slovenia signed a letter of intent with XBRL Europe, but nothing has been done yet in this area apart from a few well-intentioned proposals. It would be necessary to establish national jurisdiction at the state level first, and then form XBRL taxonomies and support everything with an appropriate software solution which is in compliance with the XBRL standard (Dolinšek, 2015, p. 63)

### Implementation of XBRL in the Republic of Macedonia

The Republic of Macedonia is a neighbouring country that started preparatory activities for the application of XBRL standard. Although jurisdiction has not been established, it is planned for XBRL to be implemented by regulatory bodies, and the Government of Macedonia is the carrier of this project (XBRL The Bussines Reporting Standard, N/D).

**Table 2** Comparative overview of implementation of XBRL (the authors' presentation)

| Criteria | Countries | | | | |
|---|---|---|---|---|---|
| | **Republic of Serbia** | **Republic of Croatia** | **Republic of Montenegro** | **Republic of Slovenia** | **Republic of Macedonia** |
| Awareness of the need for implementation | There is awareness about the need for standardization of financial reporting particularly by professional organizations | There is awareness about the need for standardization of financial reporting using XBRL | Legislation does not recognize the importance of standardization | There is awareness about the need for standardization of financial reporting using XBRL | There is awareness about the need for standardization of financial reporting using XBRL |
| Preparatory activities | There are no preparatory activities | There is no obligation to apply the standard even though there are a few examples of its use | There is no preparatory activities | Preparatory activities in plan from 2004. | Preparatory activities has started |
| In projects taken by XBRL Europe | Republic of Serbia is not a part of any project recommended by XBRL Europe | Not part of any project (according to available literature) | Not part of any project (according to available literature) | In project from 2004. | Not part of any project (according to available literature) |
| Legal support for XBRL implementation | There is no legal support | There is no legal support | There is no legal support | There is no legal support | Government of Macedonia is the carrier of the project of XBRL implementation by regulatory bodies |
| Support of professional organizations | There is a support of professional organizations for standardization and change/improvement of accounting acts | There is a support of professional organizations for standardization | There is a support of professional organizations for standardization | There is a support of professional organizations for standardization | There is a support of professional organizations for standardization |

**Source**: Authors

Based on a comparative overview given in the table, we can conclude that the situation regarding the implementation of the XBRL standard in all listed countries, except not as significant differences, is very similar. Also, the steps in the implementation of the XBRL in the world have similarities and mandatory elements. With that in mind, we consider that the steps in the implementation of standards in our country would not be significantly different from those in neighbouring countries, especially as starting points of each are very similar. Some of the unavoidable steps of implementation are legislative, support of professional organizations, the development of taxonomy, mandatory application for a particular circle of companies, creation of software support etc.

## 5. Proposal for implementation of XBRL in Serbia – how to choose the appropriate XBRL solution?

"Financial statements should contain comprehensible, relevant, reliable and objective information. This information has multiple benefits for the existing and potential investors, creditors, business partners and other economic and public actors, and represents a basis for competent decision making. Also, comparability of financial statements of companies, which participate on financial markets, presents a key prerequisite for establishing and maintaining fair competition. Enhancing the quality of financial statement through adopting best international practices is a process occurring in the most developed market economies and financial systems as well, and, at the same time, presents a challenge which is set before regulatory bodies and the accounting profession." (Draft National Strategy for Improving the Quality of Corporate Financial Reporting and Auditing, 2011, p.1).

This quotation is a part of the Draft National Strategy for Improving the Quality of Corporate Financial Reporting and Auditing for the period from 2011 till 2020. If we read it closely, we will notice that the demands are set before all entities under obligation to submit financial statements in accordance with all benefits provided by reporting in accordance with the XBRL standard. The XBRL standard is mentioned in the Draft only in the section on harmonization and incorporating in the subordinate legislation in the domain of supervision of banks and external financial reporting, that is, in the article on banks' financial reporting.

Neither the Draft nor the Accounting Law (published in Issue 62/2013 of the Official Gazette of the Republic of Serbia), when mentioning that the quality enhancement processes are also conducted in the most developed market economies and economic systems, is it mentioned that the majority thereof must use the XBRL standard for financial reporting (America, Asia, all EU countries, Japan etc.).

COREP and FINREP frameworks for financial statements, as XBRL projects, are mentioned in the Draft also only in the section on banks' financial reporting in terms of analysis and accepting EU recommendations for their use.

Reading both the Draft National Strategy for Improving the Quality of Corporate Financial Reporting and Auditing and the Accounting Law, one gets the impression that the state of Serbia, i.e. its official bodies, still have more other problems to resolve in relation to accounting and auditing, and always new demands and new rules occur, preventing the legislator from devoting attention both to the XBRL standard and the possibility of its implementation.

Our country also has the National Accounting Software Standard – RSS 33, revised in 2008, whose objective is to "set the guidelines on procedures to be conducted when introducing and operating the accounting software in the enterprise/organisation during both internal and external audit, so that bookkeeping records and financial reports meet the requirements of the Accounting Law, adopted International Accounting Standards and International Auditing Standards in the Republic of Serbia". (National Accounting Software Standard, 2008, p.2).

Reading this document, one gets the impression that reporting in compliance with the XBRL standard can be fitted with all the points regarding the requirements that users and producers of accounting software should meet. This is another argument in favour of implementation of XBRL in Serbia.

If this should possibly happen, the following mistakes should be avoided when choosing appropriate software (VentanaResearch, 2008, p.3):

1. Internal software development, unless a company has a good informatics sector which is also very successful. In the opposite case, this job should be delegated to a third party because it almost always turns out to be more cost-effective.
2. The producer's claim that their product is "integrated" should be analysed carefully.

A system that is really integrated must have several compulsory components, including a central database, integration with source data etc.

3. The assessment of the available option should not be delayed. This will protect you from unnecessary delays or bringing inadequate information.

Furthermore, an integrated solution has the following characteristics (VentanaResearch, 2008, p.9):

- central data repository,
- tight integration with the source date,
- ability to gather data from the repository into appropriate files in all the necessary output format, such as Microsoft Word, Adobe .pdf and XBRL,
- defined manner of work for process management,
- security and possibility of revision.

Figure 4 gives the answer to the question how companies can submit their financial statements using the XBRL reporting standard.

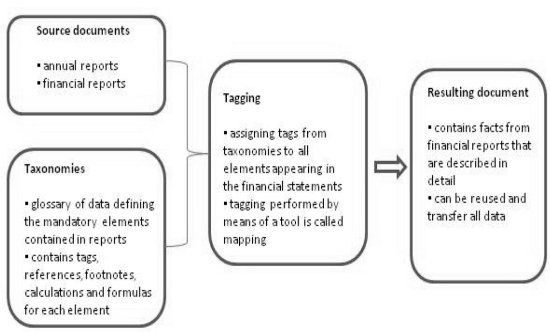


**Figure 4** How companies create documents in accordance with the XBRL financial reporting mode
**Source:** Ying Mei, 2013

The following is of key importance for an appropriate beginning of the introduction of XBRL (Martić, 2013, p.117):

1. Never lose focus of the basic aim of introducing XBRL, which is efficient presentation of reports to investors and stakeholders. Although the tagging process is mechanical, the company must invest great effort into the way it performs tagging. This process is best done internally, by the financial department.
2. From the beginning, the financial department must be ready for the fact that tagging is a process rather than a quarterly or annual project. It is considered to give the best results, and that value grows in the forthcoming years, as the number of tagged data grows.
3. When it comes to the tagging process, there are two basic approaches to implementation. The first, which represents some kind of superstructure of the tagging process on prepared reports ("bolt-on" approach), and the other, which is integrating the tagging process into the report creation process. Experience has shown that the integrated approach is more appropriate primarily because it reduces the possibility of errors, and also enables greater control of the entire process (VentanaResearch, 2008, p.4)

As for economic entities that adopt XBRL first, it is noticeable that the XBRL standard was first adopted by regulatory agencies, predominantly financial institutions (stock exchanges, commissions for securities, tax authorities etc.), which is understandable in view of the large amount of financial statements that they process. Later on, the standard is adopted by various business organizations, software producers, investors and analysts. It is prominent that there are various agencies at the state level encouraging the implementation of XBRL, and after that supervisory and regulatory agencies take over a significant role in introducing XBRL because they control a large number of business entities.

Figure 5 shows a possible way of implementing the XBRL standard in Serbia.

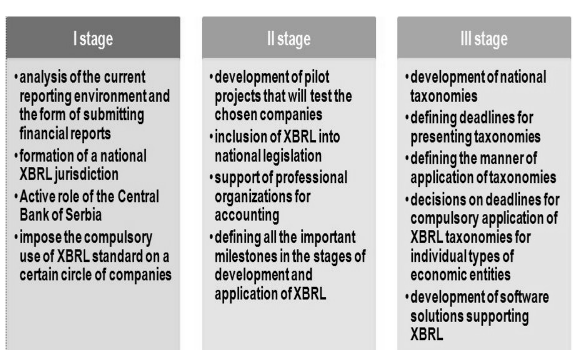


**Figure 5** Possible stages of implementing XBRL in Serbia
**Source:** adapted – Gostimir, 2015, p. 39

It must be pointed out that the road from the recognition of the importance of introducing the XBRL standard, through its compulsory character and development of taxonomies, to implementation is extremely long and bumpy, which can by no means be an excuse for giving up, bearing in mind that reporting in compliance with XBRL standard is becoming a standard which will soon be unavoidable.

## Conclusion

The answer to the questions why countries and companies should start with the application of XBRL reporting standard on a voluntary basis could be that it is becoming fairly certain that there will come a time when the application of standards will become compulsory, so that it is much easier to be ready for such a scenario if we have initiated this process.

It is a fact that state support is required on this pathway, which is very difficult if it still has not realised the benefits of implementation or simply because due to the complexity of this task and many other unresolved questions related to accounting and auditing it is unable to devote efforts to this task.

Analysing the processes of implementation in the neighbouring countries, which all started from the same basis, we reach a conclusion that the situation in none of the countries is much better, and that we share a large number of common problems. The importance of the state is prominent in all research to date as the key to initiating the implementation process, so that the national legislation points out that the work on a higher quality of financial reporting is, in the broadest sense of the word, responsibility of the state.

So, we can conclude that the answer to the question posed in the introductory part of the paper could be that models for XBRL implementation do not differ significantly in less developed countries, and that further research into this topic could bring a unique model applicable to all the less developed countries of the region.

It must be noted that the conclusion was based on the reading of the available literature, which is scarce in this area. SM

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✉ **Correspondence**

**Emina Đurković**

Faculty of Economics in Subotica
Segedinski put 9-11, 24000, Subotica, Serbia

E-mail: emina@ef.uns.ac.rs