Journal for ReAttach Therapy and Developmental Diversities
eISSN: 2589-7799
2022 December; 5(2): 468-479

Economic Effects Of Internet OnFinancial Corporate Reporting

Vishal Mohan[1*], Dr Kuldeep Singh[2]

[1*]Research Scholar, School of Commerce & Management, Om Sterling Global University, Hisar
Email: vishalmohan678@gmaill.com
[2]Dean School of Commerce and Management, Om Sterling Global University, Hisar
Email: deanscm@osgu.ac.in

***Corresponding Author:** Vishal Mohan
*Research Scholar, School of Commerce & Management, Om Sterling Global University, Hisar
Email: vishalmohan678@gmaill.

ABSTRACT

In this study, we examine two of the most significant economic implications that the Internet has brought about for financial accounting and transparency. To begin, the introduction of the Internet has altered the prices of information processing, and along with it, the demand and supply of financial information in the capital markets. Second, the reporting of financial information over the Internet generates a need for standardization, which has been addressed by the creation of the XBRL format. Even though XBRL was developed to standardize merely the structure of information, some people believe that it will also standardize the information's substance. In its last section, the article addresses the problem of ensuring high quality financial reporting through the internet.

Keywords: Financial Reporting; Disclosure; Internet; Standardization; XBRL; Auditing.

1 INTRODUCTION

The Internet has seen considerable growth over the last roughly ten years, and people' acceptance of it has grown steadily throughout that time as well. There are few restrictions placed on the availability of data, information may include dynamic presentations and multimedia, and there is the possibility of interactive information demand and supply. These are some of the major characteristics of the Internet. Information may be accessed (almost) at anytime and anywhere, and generally at a low cost. The distribution of information and the trade of products, including shares, are both significantly impacted as a result of these advances, as are the organisational structures that govern how these activities are carried out. They also make previously unimaginable new avenues available for the disclosure of financial information, which has implications for all parties involved, most notably firms, investors, auditors, and information intermediaries. These chances apply to those who establish standards as well as those who regulate industries.

According to the findings of a number of studies, the majority of publicly traded companies now post financial information on their websites, and the extent of this disclosure has expanded over the course of the last few years. Lymer et al. (1999) ,Ettredge et al.(2002), Debreceny (2002). Users who are interested in looking for business financial reports typically find the Internet to be their major source of information. The establishment of a company's website often requires a significant investment of resources, and the companies also strive to create original formats for the presentation of financial data.

The majority of the information that is supplied on the Internet is, for the most part, not much different from the information that is accessible from other sources as well, despite the fact that the acceptability of Internet disclosure has risen.
There are a lot of different ways in which this practise might be altered. The usefulness of conventional financial reports seems to be on the decrease, according to empirical investigations (Lev et al 1999). The lowering of barriers to the generation and dissemination of information brought about by technologies based on the Internet may provide an opportunity to alter the conventional paradigm of financial reporting. For example, Elliott arrives to the conclusion that "information technology (IT) is transforming everything" (Elliott1992). Numerous studies have been conducted since the introduction of Extensible Business Reporting Language (XBRL) as a standardised data description format for financial reporting. These studies provide a description of this technology and promote the advantages it offers to both those who prepare financial reports and those who use them (Zarowin et al 2000). This literature, rather often, overlooks the possibility of adverse consequences, which may also be present.

Standard-setters and accountants have been concerned about the impact of emerging information technologies on the

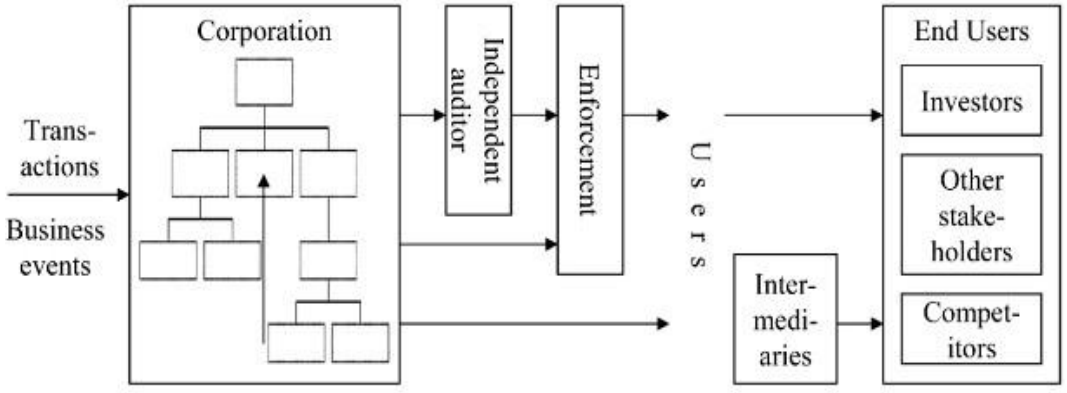
public disclosure of financial information (FASB 2000). These studies investigate possible developments in the future, not just for disclosure but also for significant changes in the paradigm of financial reporting that is now in use.

However, the routes that the future will take are still unclear. It is abundantly clear that demand and supply of financial information are not solely driven by technological advancements alone, despite the fact that imaginative speculations on new opportunities that no one has ever dreamed of before provide an important impetus for developments in financial reporting. It is the people who prepare it and the users whose production of the information and consumption of it determines the kind and volume of the financial information that is being created and processed. Standard-setters and regulators are responsible for following up to determine whether or not there is a need for standardisation based on the shifting dynamic between supply and demand. Within the scope of this article, the subject of how the Internet influences financial reporting is attempted to be reframed as an economic question. The primary focus of this article is an examination of the economic effects that advancements in the Internet have had on the reporting of financial information. It demonstrates that advancements in information technology do not make all possible changes. The principles that control their economic impacts have not been significantly altered (Shapiro and Varian 1999), which means that the disclosure of financial information is (still) driven by incentives and cost-benefit tradeoffs. The purpose of this study is to assess the possible implications on the demand for and supply of financial information by using what has been learned from the literature on financial disclosure to Internet financial reporting. To begin, however, I would like to point out that many of the problems that are associated with Internet financial reporting are still in a state of flux. As a result, it is impossible to determine the importance of these consequences at this time.
The following is the structure of the paper: The following section provides an overview of the flow of financial information both within and outside of the company. In the third section, we conduct an analysis of the direct cost consequences of Internet financial reporting, as well as what these effects indicate for financial disclosure and for the voluntary disclosure incentives offered by companies. In the fourth section, we discuss the growing need for standardisation that has arisen due to the rising usage of new information technologies. Particular attention is being paid to XBRL and the impact it has had on both the standards of financial disclosure and accounting. In Section 5, we examine some of the challenges that come up as a result of our aim to ensure that financial reporting on the Internet is of a high quality. The overview and the findings may be found in Section 6.

ACCOUNTING INFORMATION FLOWS

Figure 1 depicts the typical financial information flows of corporations (DiPiazza and Eccles 2002). A significant information flow takes place inside the company, and it all starts with the recording of transactions and other important business events in the records of the organisation at different hierarchical levels. The information is used for the purposes of reporting and aggregation across all of the business divisions. By implementing certain accounting rules or regulations into statutory financial statements, a portion of the information that is included inside the organisation is condensed. The financial statements are subjected to enforcement by the relevant national authority and are audited by a third party auditor who is not affiliated with the company. Other information, such as interim reports and information published in compliance with continuous reporting requirements, are typically not audited or reviewed, but they may be subject to enforcement or overview. This is because these types of reports and information are published in order to fulfil continuous reporting requirements. Some of a company's information, such as the content presented at press conferences, is neither audited nor subject to any kind of enforcement. The information is then communicated to the users, who are either information intermediaries who use the corporate disclosures and other information to advise end users or end users themselves who use the information for their own decision-making purposes. Information intermediaries use the information to advise end users based on the corporate disclosures and other information.

Figure 1: The process of reviewing credit standing



The Internet affects each of these information flows. The effects are twofold:
To begin, the costs of information gathering, processing, and distribution are all affected by the advent of the Internet. Second, it raises the requirement for the standardisation of different types of information. Despite the fact that these two impacts are depending on one another in some way, I analyse each of them individually.

The fluctuation in the cost of information has an impact on the cost-benefit analysis of a variety of processes and devices. Existing processes will become more cost-effective, and the costs of new processes may become less than the gain that is anticipated from implementing them, allowing for their adoption. Because of this latter consequence, the Internet is often considered to be a kind of enabling technology. It does not establish a new need for information; the want must already be present in order for it to be met. However, it does make accessible to its users many new options of information collecting, processing, and broadcasting that were previously either too expensive or even impossible. Before the new technology became available, it was impossible to meet that demand since the cost would have been too expensive.
Although the Internet is not reliant on physical technology, it does need a standard format for the many types of data that it processes. In order to make the most of the potential presented by the internet, standardised information is required. A standard like this is provided by XBRL for the purpose of financial reporting. In the next part, we will discuss its history of development as well as the implications it has had on financial reporting.

EFFECTS OF INFORMATION COST CHANGES

DIRECT EFFECTS OF COST CHANGES

The financial information of companies may be accessed quickly and easily over the internet. Businesses have the opportunity to connect with a greater number of prospective customers by using this technology as opposed to traditional communication channels. The "democratisation of capital markets" refers to the process by which financial disclosures are uploaded onto the internet in order to provide equal access to all users and to lessen the information advantage enjoyed by some institutional investors in comparison to other investors (Ordelheide 1999).
Internet disclosure helps to increase the speed of the disclosure process. There is potential for disclosure and filing deadlines to be shortened. When information is made public, the company has complete discretion over the timing of the release. (DiPiazza and Eccles 2002). There are a few different "push" approaches that may be used in order to tell users that new material has been uploaded to the Internet. One of them is the distribution of an email message to users in order to identify them. When it comes to meeting the criteria for continuous reporting of information that is relevant to the stock price throughout the year, speed is especially critical. Because financial statements are often led by other disclosures, such as profit estimates, the stewardship function of financial statements is less time-sensitive than other functions of financial statements.

Because information is so readily available, users may be induced to demand ever-increasing amounts of it, including information regarding assumptions, the effects of alternative accounting methods, the multidimensional properties of information (e.g., probability distributions) (Wallman 1996), and various other types of non-financial information. Details about intangibles and the factors that influence value make natural candidates. Because of this growing need for information, the topic of how much extra information businesses are willing to provide has been brought into question. In addition to the direct expenses of auditing or examining such information, businesses may suffer damage as a result of the unfavourable actions of rivals and other parties that make use of this information. Moreover, greater disclosure presents legal difficulties. When dealing with a litigious climate, the expenditures of legal representation might become rather significant. If businesses are going to be encouraged to try out creative disclosure techniques and new technologies, one way to do so would be to extend safe-harbor regulations for contents to disclosures made on the internet (Garten Task Force 2001). Because of these potentially detrimental implications, many businesses are hesitant to share "too much" information.

Users will have the ability to search, filter, retrieve, download, and even reconfigure such information at a minimal cost and in a timely manner if the company posts its financial information on its website. However, financial reporting on the Internet is not limited to just using static words and graphs. Hyperlinks, search engines, multimedia content, and interactive features may all be supported with its help. For instance, according to Jensen and Xiao (2001), users may be given the ability to personalise the content of financial reports so that it satisfies their requirements or to specify user-specific trigger events for report generation. An even further use of interactivity would be the creation of a dialogue reporting system via which users might express information requests based on information they had previously received.

Companies may get valuable insight by monitoring the information requests or particular user demands made by end

users. Users have the option of making these requests anonymously or by providing some type of access identity information. Access statistics are market-driven direct indicators of the value of information, and if they are read appropriately, they may help businesses as well as standard-setters to respond to the demand shown by the behaviour of users. Firms may be able to discover the assumptions that investors use while doing financial data analysis by using software tools that are made available on the internet by a preparer.

The availability of financial information inside companies may also increase as a result of the use of the internet. For instance, many of the procedures that take place in several locations may be mechanised and supplied into a centralised information system for the whole company. The process of reporting and consolidating data is sped up while also being enhanced ("rapid close"). The one and only chance is to raise the frequency of presenting financial statements to more frequent intervals, such as monthly, weekly, daily, or even (nearly) instantaneous intervals (Eccles et al 2001). Because the information should be supplied shortly after the announcement release and will quickly lose value if sent to consumers too late compared to the duration of the time it covers, high-frequency reporting requires access to the Internet. The emphasis of users on quarterly profits may disappear, and with it, the motivations of enterprises to manage them, if more frequent reporting is implemented. This may be one of the consequences of more frequent reporting. On the other hand, it would call for a significant modification to be made to the majority of accounting systems since it would be necessary for events such as changes of market prices, estimations, and judgements to be recorded on a real-time basis as well. Economic problems like "the ideal duration of a reporting period" will inevitably arise, but the answers to these concerns are not yet fully known. In economic terms, the Internet may have a significant impact on the constraints of the maximisation problem, despite the fact that it does not affect the objectives of the firm, which are to maximise the expected utility of the firm's owners (or their representatives), but it does not affect the objectives of the firm. When selecting how to handle information processing, therefore, it is necessary to make the standard cost-benefit trade-offs; the difference is that the context is (typically) increased as a result of a loosening of the restrictions. As a consequence of this, it is possible that currently used procedures may become less expensive, that the procedures will be replaced by newly accessible alternatives, or that new procedures will be utilised because their cost-benefit ratio is more favourable. In a context where there are no incentives that work against it, increasing the number of procedures that are practically possible cannot have a negative impact. That is to say, the Internet creates new possibilities for disclosure, but the cost-benefit analysis is still valid regardless of whether or not a company chooses to pursue those opportunities. This debate is based on the assumption that corporations can cut down on their direct information expenses thanks to the Internet. However, companies may end up incurring larger expenditures, although ones that are accompanied with an increased number of advantages from the information source. Investing in the design and upkeep of a website that contains financial information might lead to a rise in costs. These costs can be significant. The majority of the material that is now available on the Internet serves as a supplement to other sources of information. For instance, the company still chooses to print hard copies of the financial reports in addition to making them available on its pricey website. This method will soon undergo significant reform. There are now various initiatives being developed to replace information that is provided on the internet with printed material. For instance, in the United Kingdom, the reporting regime can be changed to permit companies to fulfil their statutory reporting requirements entirely in electronic form and to allow information delivery on a "by request only" basis if it is agreed to by the firm's shareholders. This can happen if the shareholders vote in favour of the change. Regulation FD (Fair Disclosure in the United States) also encourages a greater use of the Internet rather than printed material. This is due to the fact that Internet disclosure makes information accessible to all users who are interested on the same terms.

Considerable regulatory agencies have given some thought to the possibility of lowering the fees associated with the filing obligations. The Securities and Exchange Commission (SEC) mandates that all filings be submitted digitally to the EDGAR database and then makes the information accessible to the general public over the internet. filings of financial statements to the public registry can be done using XML (extensible markup language) in Austria, and other European regulators, including Germany and the United Kingdom, are discussing the potential regulation that would require all companies that are required to disclose their financial information to the public to file electronic financial statements into a register. In their report, the High Level Group of Company Law Experts made the recommendation that the EU should take the initiative in facilitating or requiring electronic filing, and that it should require listed corporations to maintain a financial information section on their websites (High Level Group of Company Law Experts 2002). These recommendations were included in the EU's response to the High Level Group of Company Law Experts' call for action (High Level Group of Company Law Experts 2002). Users would benefit from initiatives such as these since they would significantly expand the accessibility of financial disclosures made by firms. The idea that the benefits to users would surpass the costs borne by enterprises is the economic rationale for such a law.

EFFECTS ON VOLUNTARY DISCLOSURE INCENTIVES

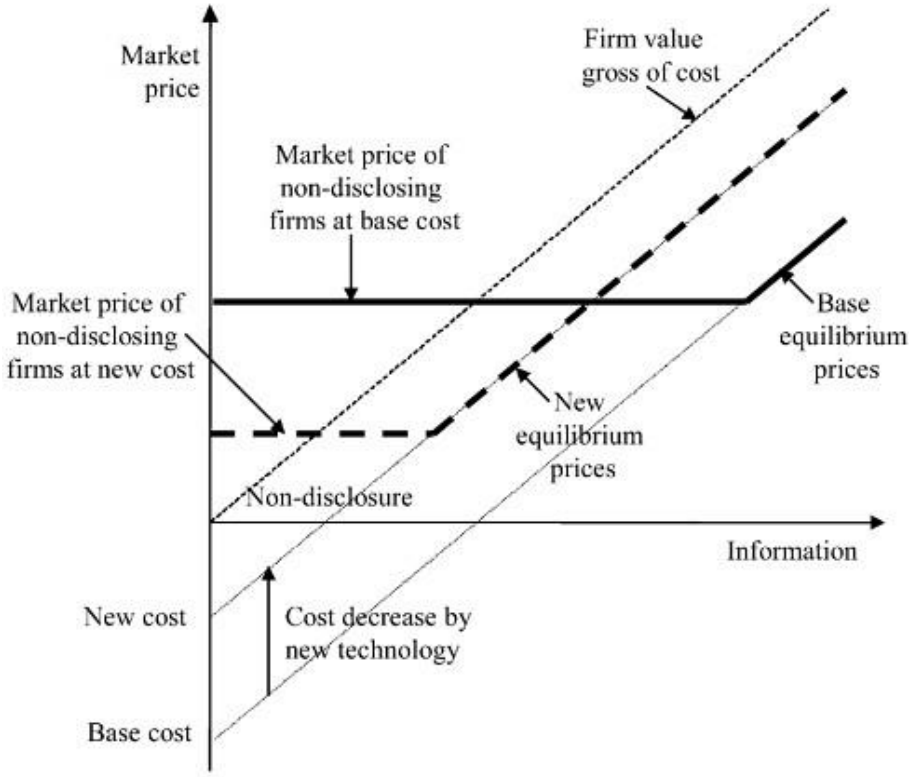
The possible interactions between the company and its customers are not taken into account by straightforward cost-benefit analyses. In point of fact, decisions regarding financial disclosure are made after a complicated cost-benefit analysis is performed. During this analysis, the company must take into account the information endowment as well as

the strategic reactions of the users brought about by the firm's change in the information costs.

Utilizing the findings from the research on voluntary disclosure enables one to do an analysis of the potential implications that the Internet may have on financial disclosure. Consider as a standard a scenario in which a company that is keen on maintaining a high present share price is in possession of some piece of information and is in a position to disclose it to the financial market in a way that can be independently confirmed. The stock market has reasonable expectations, which means that it is aware of the fact that the company owns the information and responds to the disclosure (or lack of disclosure) in a manner that prevents it from being led astray, under the condition that the information is relevant average. According to the unravelling principle, the only way to achieve sequential equilibrium in such a scenario is for the company to disclose all of its knowledge in its entirety (Milgrom 1981). When information dissemination is made subject to a cost, only the information that is deemed to be in the recipient's best interest will be shared. This is an example of partial disclosure. A reduction in this cost will, as a result, result in an increase in financial transparency when considered in equilibrium (Verrecchia 1983). When there is less favourable information, there is often more transparency around that information. As a result, the reduction in costs causes the publication of news that is less favourable overall. The structure of such an equilibrium as well as the impact of a change in the cost are shown in Figure 2. The prices at equilibrium for the high cost scenario are shown by the solid lines in the graph. Only a select few businesses think it is worthwhile to release their information because of the significant expense involved. Imagine for a moment that the price falls to the new price displayed in Figure 2. The new equilibrium (in lines that are broken) is such that there is now an incentive for more companies to reveal the information they possess.

A comparison of the pricing at equilibrium, on the other hand, demonstrates that the drop in costs is not beneficial to each and every company. Only businesses who have really favourable information will be able to benefit from the cost decrease. Each company may be at a competitive disadvantage ex ante in many different contexts due to the fall in the cost of information. The reason for this is because the cost of the information is a loss of dead weight in this context, a loss that may be avoided if the company does not divulge the information. In essence, the drop in costs results in more information about companies participating in the capital market, but it may have the effect of lowering the average market pricing. Therefore, it's possible that investors won't gain from the greater degree of information.

Figure 2: Disclosure equilibrium with different disclosure costs(Wagenhofer and Ewert 2003)



A further takeaway from such a model is that it is more likely that more precise information will be disclosed for a given cost (Verrecchia 1990). This finding suggests that a decrease in costs will (all other factors being equal) increase the likelihood of the disclosure of information that is less precise. The reason for this is that more companies now believe it is advantageous to separate and reveal their information since the cost of doing so has decreased; as a result, the equilibrium market price of companies that do not disclose their information adjusts to a lower level.

The price of acquiring information is another one of those costs that is impacted by the proliferation of the Internet. When expenses are reduced, there is often a corresponding increase in the amount of information acquired and the number of disclosures made, which leads to an equilibrium with a higher level of both information and negative news (Dye 1985). If consumers are unsure about the costs associated with disclosure, more disclosure by peers may signal lower costs, which will have the same impact. In a manner analogous to that which pertains to disclosure costs, the ex ante impact of a reduction in the costs associated with information gathering is equivocal. This behaviour is predicted by the users, who, given the non-disclosure, adjust the equilibrium price lower, which motivates additional businesses to reveal. Lower prices inspire more firms to obtain the knowledge; this behaviour is anticipated by the users. Firms who are in possession of unfavourable information and do not reveal it in the equilibrium with high prices will discover that they either disclose in the equilibrium with low costs or, if they continue to not disclose, the price at which the equilibrium is reached decreases. They will suffer a loss as a result of the reduced cost of information gathering.

Increased disclosure often results in an increase in the amount of information about companies available on the capital market. Nevertheless, there is some room for interpretation in this assertion: It is dependent on the possible responses of market players to the enhanced financial transparency made by companies. The market values of the companies represent the fact that many investors get their own knowledge, which is reflected in the market. Increasing the amount of information that is available to the public often decreases the incentives to obtain private information. According to Bushman (1991), investors may either profit or suffer losses ex ante as a result of a company's disclosure, depending on the nature of private information markets.

The acquisition of information is expensive for the users. When prices are decreased, there is a corresponding rise in consumption of that information because more consumers will determine that it is beneficial to receive the information. This might result in an increase in market efficiency, which would, in practise, entail an overall reduction in the cost of capital (Grossman and Stiglitz 1980). On the other hand, the comparative competitive advantages that analysts have can diminish.

STANDARDIZATION OF FINANCIAL INFORMATION

DEVELOPMENT OF XBRL

In spite of the widespread belief held by many individuals that growing computerization would result in more flexibility across a variety of operations, the reality seems to be quite the contrary. Program is developed with the intention of recording standardised procedures that the creator of the software has in mind. Getting away from these kinds of procedures is often tough, if not downright impossible. The computerization of information operations also necessitates the use of data formats that are machine-readable. Because of these formats, it is difficult to add new components or to leave open components that the developers consider to be necessary information. It has become possible for businesses to make use of several databases in a variety of formats thanks to the development of data warehouse systems. These systems consolidate a number of distinct databases into a single repository. It is considerably more difficult to develop any kind of shared knowledge of procedures, and especially data, across different companies. The standardisation of financial information may have substantial external advantages due to the fact that financial disclosures are used by a wide variety of users.

In point of fact, the year 1999 marked the beginning of a global movement toward the standardisation of financial reporting. The Extensible Business Reporting Language, often known as XBRL, is a document description language used on the Internet that is derived from the Extensible Markup Language, or XML. Another subset of XML is HTML. XBRL is a strategy that is driven by the market and was developed via the private efforts of accounting organisations, individual businesses, and other interested parties (Kuting et al 2001).

The term "meta data" refers to XBRL's inclusion of many levels of descriptions of the underlying data. It does this by defining the exact attributes or tags that are unique to each individual piece of financial reporting data in what are known as taxonomies (Meyer et al 2002). The first taxonomy for financial statements based on generally accepted accounting principles in the United States was created in the year 2000. Late in 2002, an International Accounting Standard (IAS) main financial statements taxonomy was produced. This taxonomy differs considerably from the first United States Generally Accepted Accounting Principles (US GAAP) taxonomy in its formal structure. Initiatives to build national taxonomies for financial reporting have been formed and initiated in a number of nations, including but not limited to Germany, the United Kingdom, Australia, and Japan, amongst others. Approximately 2,000 elements are included in the taxonomies for primary financial statements. These elements capture individual items that are included in a typical financial report. These items include the balance sheet, income statement, statement of changes in owners' equity, cash flow statement, notes, and accountant's report. In addition to the taxonomies, XBRL makes use of a tool known as link-base to provide calculation techniques, references to the appropriate standard, and the names in a variety of languages.

The fact that information about financial statements on the level of financial reporting only has to be produced once is one of the direct cost advantages offered by XBRL. After then, the material may be repurposed in a variety of ways, such as a published a financial report published in print or on the internet, documentation pertaining to loans, filings with a stock exchange or supervisor, and audit schedules also count. According to Price water house Coppers (2002), making numerous uses of data helps minimise the need to convert it into other forms, which can be an expensive, time-consuming, and sometimes erroneous operation. At this point in time, the tagging of financia1 statement information using a XBRL taxonomy is a hard operation; nevertheless, it is an activity that can be readily automated as output from typical accounting software programmes.
One of the goals of XBRL is to allow users to choose tags for the data included in financial statements. Creating taxonomy for the raw business transactions and events that are recorded in the accounting and book-keeping systems is still another option. Within businesses, the uniform and technology-neutral transmission of data is what the XBRL General Ledger standard aspires to accomplish. This new approach may make consolidation less difficult and more expedient, especially if recently acquired businesses are included in the mix. It might also enhance corporate reporting by enabling users to dig down to the level of raw data, which is often not feasible with data warehouse software. This is something that is typically not possible with data warehouse software. Data may also be readily communicated with the firms' contractual partners, which is a role that is similar of the many kinds of electronic data interchange (EDI) that occurs between suppliers and retailers.

It is interesting to note that after about three years on the market, only a handful of companies have yet begun to use XBRL, despite the fact that many companies have closely observed its development and have even been involved in the XBRL consortium. Given all of these possibilities, it is interesting to note that after about three years on the market, only a handful of companies have yet begun to use XBRL. If there isn't a set standard for using XBRL, it's possible that the individual advantages to companies won't add up to something noteworthy. The need to use XBRL by regulators may set off a beneficial "network effect," in which the number of users who put it to use results in rising advantages (Wahrisch2001). When reading the following consequences of XBRL on financial reporting, it is important to keep in mind how little adoption there has been so far.

IMPLICATIONS FOR FINANCIAL DISCLOSURE

Investors are able to automatically extract and download this data with the use of specialist software referred to as "intelligent" or "smart" agents because of the information that is included in XBRL tags. This eliminates the need for investors to manually search the Internet. For instance, data may be automatically fed into a particular investor's model or tool, such as a spreadsheet software, and then evaluated after being in that model or tool.

The shifting perspectives of users with regard to how they get financial information may have several repercussions.
To begin, there is a good chance that quantitative information will acquire an even higher level of significance than it now has. Even if the IAS taxonomy, for instance, has a large component that is qualitative in character, it is challenging to process qualitative information and soft facts because of the nature of those components. Second, the increased accessibility of fragments of the complete information may mean that investors will only read the specific pieces of information that they are interested in without taking into account other information that is related to the information or the context in which the information appears. It could be helpful to provide companies advice to organise their data into more detailed blocks. Third, there will be an increase in the amount of pressure to offer information that is comparable and "apples-to-apples." The propensity of users to collect only specific pieces of information is likely to generate a demand for the provision of convenience translations of financial statements or the use of a "common" presentation currency, as well as for the use of a "common" language and "common" accounting methods, and for the completion of all the information for which tags are available. Because it is difficult to compare financial statements that have been prepared in accordance with various GAAP, the use of XBRL will increase the amount of pressure that is placed on businesses to report their information in accordance with a single GAAP worldwide, regardless of what this standard may ultimately turn out to be.

There are many more options available. Allowing investors to self-design accounting techniques or accounting standards, which may subsequently be used to generate a company's financial statements, is one option. Another is to allow investors to specify accounting methods or standards themselves. The company might compile the results using various different assumptions or using various other accounting procedures. Alternatively, the company could give more fundamental information in order for investor demands to be computed using the original data. It is possible that XBRL will make it simpler to investigate the specifics of the discrepancies. In point of fact, one possibility involves enabling access to unprocessed raw data that is marked (Wallman 1997). The raw data would be available for the investors to pick, alter, and combine in whatever manner that best suits their needs. On the other hand, it is quite

doubtful that businesses would determine that the advantages of disclosing such extensive information are worth the expense of doing so. According to the findings of a survey conducted with preparers, businesses are hesitant to offer such thorough data, mostly out of the concern that doing so would place them at a competitive disadvantage (Trites 1999).

The degree to which a XBRL taxonomy is exhaustive is one of the most important factors in determining whether or not it is helpful.
Since investors will often use XBRL to extract comparable information across firms, events or information that are comparable should be allocated the same tags, while events or information that are not comparable should have separate tags.

On the other hand, there are limits to how exact one may be. When there are more tags accessible for information that is closely connected to other tags, the investor will find the taxonomy to be less valuable. Companies utilise extremely distinctive financial information layouts, not only in the notes but also in the income statement and other financial statements, according on the experience gained from using the IAS taxonomy in reality. Because of this, standardisation of the formats will most likely advance, despite the fact that technically speaking, XBRL downplays the importance of the problem of the layout. The data provider has the ability to edit or add to the components of a taxonomy, as suggested by the term "extensible" that is included in the XBRL acronym. If you do this, you run the risk of users not searching for or requesting the information in question because they would find it impossible to follow particular criteria. As a result, a significant portion of the benefits gained via standardisation would be lost. Therefore, formal standardisation entails the need that the contents of information also be standardised. It is not easy to standardise the contents of financial statements, but it is even more difficult to do so with non-financial information, which is frequently very company-specific and includes performance drivers, key measures, strategies, and descriptions of operations, among other things. Standardization of the financial statements' contents is not easy.

According to the XBRL consortium, which is the organisation responsible for developing the taxonomies, XBRL does not in any way affect the contents of financial statements; rather, it merely takes up the required disclosures in an accounting system and categorises them into a comprehensive set of tags. This is the position that the XBRL consortium maintains. Due to the ramifications on businesses' disclosure practises, the creation of a taxonomy is not as harmless as it may seem when seen from the perspective of its repercussions for users and corporations.

Because it makes it very obvious what information a company is "required" to make public but does not include in its financial statements, an XBRL taxonomy may be thought of as a massive information checklist. Therefore, there is a trade-off between the comprehensiveness of a taxonomy that permits more firm-specific information and standardisation, which reduces firm-specific content but improves cross-sectional comparability. This trade-off can be thought of as a trade-off between firm-specific content and cross-sectional comparability.

EFFECTS ON ACCOUNTING STANDARDS

It is a direct consequence of XBRL on financial reporting that it makes the structure and sequencing of the presentation of financial information meaningless. This is one of the implications of XBRL on financial reporting. A stringent format for the balance sheet and income statement has historically been accorded a high emphasis by many people who are responsible for setting standards, particularly those from continental Europe. On the other hand, neither the FASB nor the IASB mandate a particular format for the financial statements. Under the XBRL standard, information that has been tagged may be located by the proper software regardless of where in a document it is located. Therefore, investors have the ability to build their own layout and have the financial disclosures of a firm automatically fed into it. Having said that, customers are likely to want more standard contents, which means a greater degree of uniformity of the layout for things that follow a logical sequence. This was mentioned before.

The de facto standardisation of contents that XBRL provides ought to be of special importance to those who establish accounting standards. It appears that the goal of the XBRL consortium is to create as many distinct national taxonomies as is humanly practicable in order to cover as many different nations and sectors as possible. It is possible that national taxonomies will fulfil the requirements of national authorities, which will make those authorities ready to embrace XBRL as the norm for statutory files. On the other hand, national taxonomies do not correlate to the rising need for uniformity in the financial markets. A standardised (base) taxonomy could be of use in achieving improved comparability between sections. The International Financial Reporting Standards (IFRS) have the potential to be one of the candidates for such a base taxonomy, and in fact, the Consortium seems to be moving in this direction. The fact that the International Accounting Standards Board has a significant interest in XBRL and is actively participating in the XBRL consortium is not a coincidence.

A subset of tags that are unique to a country could be included in taxonomies that are used for national GAAP. It is possible that such a strategy may be successful with increased disclosures; however, it would be far more challenging with recognition and measurement requirements due to the fact that many accounting standards are not upwardly compatible. When seen from the point of view of information systems, the notion of a basic taxonomy with national supplements is evident; nevertheless, when viewed from the point of view of economics, this concept is not always desirable. It would lead to monopolisation of the base standard, despite the fact that there are excellent reasons for permitting a regulated competition between many standards (Sunder 2002).

Users have the ability to put pressure on those who determine accounting standards, encouraging them to lower the number of available alternatives or perhaps do away with them entirely. Because the data provided in the XBRL instance file makes the taxonomy that was applied very obvious, restricting possibilities would make it simpler to handle the financial information as it is reported. The a certain accounting option that is used in a specific setting may be less clear and calls for further care when the data is being processed.

Investors would be able to access an XBRL-based financial accounting database that records all raw business events and may apply their own accounting standards if businesses provided access to raw data. This would be the case in the scenario in which firms offer access to raw data. As a direct result of this, the function of standard setters would become less important. In order to develop models that can read XBRL raw data and translate it into information that is decision-relevant for investors, standard setters would compete with analysts and private for-profit organisations to produce these models. The provision of the most advantageous solutions for investors who rely their judgments on the information provided by a firm would be the criteria for attaining a competitive advantage.

We may hazard a guess as to what kinds of criteria would be able to withstand the scrutiny of the market. It might be standards that call for just a little amount of extra information that is often absent from the raw data collected from businesses. Statements of pure cash flow, which can be readily calculated from corporate data, serve as an excellent illustration of this concept. Accruals, on the other hand, often convey a great deal more information regarding the characteristics of commercial transactions. It is impossible to conceive of how such occurrences may even somewhat call into doubt the usefulness of financial statements.

5. INFORMATION QUALITY

There is a significant problem with the quality of the financial disclosures that may be seen on the internet. Internet users who make reasonable decisions are less likely to find unreliable financial information useful or relevant at all, and this might have a negative effect on other Internet users. Because it is incorporated in corporate governance procedures and is subject to audits and enforcement, financial information in general has a greater degree of reliability than other types of information does.

Flexibility is one of the primary benefits of using the internet; yet, this benefit also presents a challenge when it comes to maintaining trust and authenticity. It is simple to alter data, and the changes are often undetectable, especially if the website in question is dynamically connected with the database that it is based on. Not only is it possible to add new information to existing information, but it is also possible to replace the existing information with the new information. For instance, in light of recent occurrences, why not modify a prior prediction that was included in the most recent directors' report? What about making a simple change to the language in the financial statements, even only for a few days when it really matters?
It is not so much the fact that a corporation may modify data as it is the purposeful selection of the data a company gives over the internet that causes the majority of the problems in this industry. You have the option of inserting hyperlinks that direct readers to a variety of different sources, such as the auditor's report, which may or may not be relevant depending on the circumstances, or to external sources, such as a positive analyst report.
Companies may have incentives to become more creative in their labelling if they are using XBRL: For instance, investors will be tempted to work with the data provided by the extraction software, and without double checking all of the details, a company that wishes to hide a certain piece of information may very well attempt to either not tag it at all, place it in a certain tag, or define an individual tag. This is because investors will be tempted to work with the data provided by the extraction software. In order for the auditor to guarantee the accuracy of the disclosures, he or she would need to examine whether or not the tagging process was carried out with great care.

The safety of the website is yet another factor that influences the quality of the content. It may be challenging to maintain control over who may access the website or the database that it is connected to. Fraud, hostile invaders, and hackers may and do discover gaps in the security net and modify data without the company's knowledge. It goes without saying.

Concerns such as these lend credence to the hypothesis that the credibility of financial disclosures made available on the internet is lower than that of information obtained from other firm sources. Not only firms and consumers are concerned about the integrity of the system, but auditors and regulators are as well. "the auditor's report becomes part of the chaotic swamp of information that defines the online," write Debreceny and Gray (1999). This is how they explain what happens on the web.

Restricting the chances that the Internet provides to those who are less likely to be negatively impacted by such possibilities is one strategy for addressing these issues. For instance, auditors may choose not to permit connections to and from the auditor's report, or they may elect to demand that the report be housed either on the auditor's own website or on the website of an official registrar. The provision of the annual report in a read-only facsimile version (for example, in the PDF format developed by Adobe) is the practise that really prevails the most often. These formats might be seen as providing the Internet user with reassurance about the bounds of the material as well as its overall quality.

If companies were to create real-time reports or enable users to access raw data, auditors would need to adapt their audit methods from being mostly outcome-related to continuous, process-related audits (Alles et al 2000). This would need significant training and education for auditors. In other words, since the data are subject to continuous, real-time modification during the course of the company, the audit would have to focus more on the process of data input than on the end product. This system is comprehensive, including the procedures, the preparation, and the data's integrity (Wallman 1997). The auditor may also be requested to actively watch the website of the client or to keep track of modifications made to certain pages. According to Kuting et al. (2001), there are no auditing standards in place that sufficiently address these concerns at this time. For instance, the AICPA contends that webpages are not "papers," which suggests that auditors are not obligated to study material found on websites (Debreceny and Grey 1999). Nevertheless, at the present time, not all company filings are subject to auditing. In point of fact, the vast majority of disclosures that aren't yearly financial statements are unaudited, and this includes disclosures made on the internet.

Because there are no established public standards, there is space for private efforts that aim to improve credibility. One such illustration of this would be the validation of the website using a service like to WebTrust. A seal from WebTrust is bestowed onto the website of a firm if that website complies with certain business criteria. This is done primarily to reassure consumers participating in online commerce. A digital signature, which may be used to authenticate information and is provided by XML, a standard, of which XBRL is a special subset.

The publication of financial information on the internet need to adhere to a few guiding principles, which have been outlined in rules published by a few stock exchanges and authorities. It is likely that the first institution of this kind was the French Commission des Opérations de Bourse. It provided suggestions for transparency of listed firms as early as 1993 for Minitel, which was a forerunner to the Internet and had been successful in France. Minitel was widely used there. In 1999, the suggestions were modified in order to take into account the usage of the internet. The same year, the Toronto Stock Exchange established rules with the intention of encouraging firms to utilise the Internet to deliver financial information. In addition, it specified standards, some of which were regarded to be required, with the goal of achieving these goals. In addition, proposals for Standards are provided in a research study that was carried out by the Canadian Institute of Chartered Accountants (Trites 1999). After this, the (then) International Accreditation and Accreditation Commission (IASC) went on and released a discussion paper in which it offered specific criteria as a code of best practise (Lymer et al 1999). The recommendation made by the IASB's predecessor to produce a reporting standard based on these principles was not taken up by the current IASB. Instead, the International Accounting Standards Board (IASB) put a stop to the project in 2001 by arguing that it was not concerned with the content of financial information but rather was more focused on issues related to corporate governance and that the International Federation of Accountants (IFAC) would be better equipped to work on the issue. In point of fact, the staff of the IFAC has created a document that contains broad standards and principles for reporting on the Internet (IFAC 2002). Despite the fact that a lot of work has been put into exploring these topics, there are no requirements for financial disclosure on the Internet in the United States at this time (FASB 2000).

We should anticipate that in the not too distant future, there will be an increase in the regulation of financial disclosure on the internet. According to what can be gleaned from the history of accounting regulation, an increase in the level of regulation was nearly always brought about by financial scandals. An expert from the academic world remarked in a Delphi study that "The first Internet reporting scandal has yet to take place, but if it does, it is likely to provide a significant spur to the development of regulation." This statement was made in reference to the fact that "The first Internet reporting scandal has yet to take place" (Xiao et al 2002).

The question of whether or not there is a need for a worldwide norm or whether or not national regulation can be an effective form of disclosure regulation still has to be answered. Because of the truly global nature of the Internet, where

the company or institution that is responsible for the content is located, where the server is located, and where the users are located are all likely to be different, and as a result, the legal systems that are applicable are likely to be different as well, there may be a need to coordinate standards. Regulation would put a stop to the period of experimentation that we are presently in, and with with it, some of the opportunities for innovation that are based on technologies that are either already available or that may be foreseen in the near future. In addition, we shouldn't lose sight of the fact that technological advancements are outpacing the capabilities of regulatory bodies.

CONCLUSIONS

Philip D. Ameen, an employee of General Electric, recently made the following prediction: "Debates over how pension surplus or derivatives or leases effect 'net earnings' would appear just as humorous to them then as the handwritten ledgers of the 1900s look to us today." This paper argues, in contrast to that prediction, that the rise of the Internet and its increasing use for financial reporting does not change the fundamentals of financial accounting and disclosure. In other words, the Internet has not changed the fundamentals of financial accounting and disclosure. Fundamental changes in the way businesses are run are what drive the need for new approaches to financial reporting. executed, rather than by the way transactions and events are recorded in the ledger. The advancements in internet technology unquestionably reduce some obstacles to financial transparency and make available new options that were not before worthwhile given the associated costs. In the first place, though, there has to be an economic need for these kinds of disclosures. It is not a product of the advanced information technology of today.

This research investigates the effects that the Internet's economic impact has had on the reporting of financial data. It examines the consequences of a change in the information costs and demonstrates that an increase in disclosure is the outcome of lowering disclosure costs as well as an increase in the user's desire for information. However, in a context with a capital market, these outcomes are not necessarily always good since market prices vary as a result of the new environment and businesses' strategic disclosure reactions.
The article also examines the fact that the growing usage of the Internet for financial reporting raises the need for standardisation, of which the most notable product is the XBRL format. Although the developers of XBRL maintain that they are only modelling a meta-language for the existing disclosure standards and practise, it is highly likely that a widespread adoption of XBRL will in fact standardise the contents of financial disclosure. This is despite the fact that the developers of XBRL maintain that they are only modelling a meta-language. As a result, the contents and the form of the disclosure cannot be split apart.

Concerns about the accuracy of the information are raised when it comes to financial reporting on the internet. It is possible for the businesses that produce the disclosures to readily abuse the technical flexibility that the Internet affords for such organisations. As a result, there may be a desire for more and alternative auditing services as well as more regulation. These aspects constitute an additional expense, which, in addition to the other consequences, has to be accounted for.

Therefore, straightforward generalisations regarding the overwhelming advantages of the Internet and XBRL are not well supported in economic theory, and instead, a more in-depth analysis of the costs and benefits of financial reporting is required. This work does not answer all the difficulties that are significant in this respect; nonetheless, it does give some broad insights into the trade-offs that are involved.

REFERENCES

1. Alles, Michael/Kogan, Alexander/Vasarhelyi, Miklos A. (2000), Accounting in 2015, in: The CPA Journal, Vol. 70, November.
2. Benston, George/Bromwich, Michael/Litan, Robert E./Wagenhofer, Alfred (2003), Following the Money – The Enron Failure and the State of Corporate Disclosure.
3. Bushman, Robert M. (1991), Public disclosure and the structure of private information markets, in: Journal of Accounting Research, Vol. 29, pp. 261–276.
4. Debreceny, Roger/Gray, Glen L. (1999), Financial Reporting on the Internet and the External Audit, in: European Accounting Review, Vol. 9, pp. 335 –350.
5. Debreceny, Roger/Gray, Glen L. (2001), The Production and Use of Semantically Rich Accounting Reports on the Internet: XML and XBRL, in: International Journal of Accounting Information Systems, Vol. 2, pp. 47 –74.
6. Debreceny, Roger/Gray, Glen L./Rahman, Asheq (2002), The Determinants of Internet Financial Reporting, in: Journal of Accounting and Public Policy, Vol. 21, pp. 371 –394.
7. DiPiazza, Samuel A./Eccles, Robert G. (2002), Building Public Trust – The Future of Corporate Reporting.
8. Dye, Ronald A. (1985), Disclosure of Nonproprietary Information, in: Journal of Accounting Research,Vol. 23,

pp. 123 –145.
9. Eccles, Robert G./Herz, E., Robert H./Keegan, Mary/Phillips, David M.H. (2001), The ValueReporting Revolution.
10. Elliott, Robert K. (1992), The Third Wave Breaks on the Shores of Accounting, in: Accounting Horizons, Vol. 6, pp. 61 –85.
11. Ettredge, Michael/Richardson, Vernon J./Scholz, Susan (2002), Dissemination of Information for Investors at Corporate Web Sites, in: Journal of Accounting and Public Policy, Vol. 21, pp. 357 –369.
12. FASB (2000), Business Reporting Research Project: Electronic Distribution of Business Reporting Information.
13. Garten Task Force (2001), Strengthening Financial Markets: Do Investors Have the Information They Need?, Report of an SEC-Inspired Task Force, May.
14. Grossman, Sanford J./Stiglitz, Joseph E. (1980), On the Impossibility of Informationally Efficient Markets in: American Economic Review, Vol. 70, pp. 393 –408.
15. High Level Group of Company Law Experts (2002), Report on a Modern Regulatory Framework for Company Law in Europe, Brussels, November.
16. ICAEW (Ed.) (1998), The 21st Century Annual Report.
17. IFAC (2002), Financial Reporting on the Internet.
18. Jensen, Robert, E./Xiao, Jason Zezhong (2001), Customized Financial Reporting, Networked Databases, and Distributed File Sharing, in: Accounting Horizons, Vol. 15, pp. 209–222.
19. Küting, Karlheinz/Dawo, Sascha/Heiden, Matthias (2001), Internet und externe Rechnungslegung.
20. Laßmann, Gert (1968), Die Kosten- und Erlösrechnung als Instrument der Planung und Kontrolle in Industriebetrieben.
21. Lev, Baruch/Zarowin, Paul (1999), The Boundaries of Financial Reporting and How to Extend Them, in: Journal of Accounting Research, Vol. 37, pp. 353 –385.
22. Lymer, Andrew (Ed.) (1999), Special Section: The Internet and Corporate Reporting in Europe, in: EuropeanAccounting Review, Vol. 9, pp. 287 –396.
23. Lymer, Andrew/Debreceny, Roger/Gray, Glen L./Rahman, Asheq (1999), Business Reporting on the Internet, IASC Discussion Paper, London, November.
24. Meyer-Pries, Lars/Gröner, Susanne (2002), Web-Publizität und Datenaustausch mit XBRL, in: Finanz Betrieb, Vol. 4, pp. 44 –53.
25. Milgrom, Paul R. (1981), Good News and Bad News. Representation Theorems and Applications, in: Bell Journal of Economics, Vol. 12, pp. 380 –391.
26. Ordelheide, Dieter (1999), Rechnungslegung im digitalen Zeitalter, in: Gebhardt,
27. Günther/Pellens, Bernhard (Eds.), Rechnungswesen und Kapitalmarkt, zfbf, Sonderheft 41, pp. 229 –253.
28. Pellens, Bernhard/Fülbier, Rolf U./Gassen, Joachim (1998), Unternehmenspublizität unter veränderten Marktbedingungen, in: Börsig, Clemens/Coenenberg, Adolf G. (Eds.), Controlling und Rechnungswesen im internationalen Wettbewerb, pp. 55 –69.
29. PricewaterhouseCoopers (2002), Corporate Communications for the 21st Century.
30. Richardson, S. (2001), Discretionary Disclosure: A Note, in: Abacus, Vol. 37, pp. 233 –247.
31. Shapiro, Carl/Varian, Hal R. (1999), Information Rules. A Strategic Guide to the Network Economy.
32. Sorter, George H. (1969), An Events-Based Approach to Basic Accounting Theory, in: The Accounting Review, Vol. 44, pp. 12 –19.
33. Sunder, Shyam (2002), Regulatory Competition Among Accounting Standards Within and Across Inter- national Boundaries, in: Journal of Accounting and Public Policy, Vol. 21, pp. 219 –234.
34. Trites, Gerald D. (1999), The Impact of Technology on Financial and Business Reporting.
35. Verrecchia, Robert E. (1983), Discretionary Disclosure, in: Journal of Accounting and Economics, Vol. 5, pp. 179–194.
36. Verrecchia, Robert E. (1990), Information Quality and Discretionary Disclosure, in: Journal of Account ing and Economics, Vol. 12, 365 –380.
37. Wagenhofer, Alfred (1990), Informationspolitik im Jahresabschluß. Wagenhofer, Alfred/Ewert, Ralf (2003), Externe Unternehmensrechnung. Währisch, Mark (2001), The Evolution of International Accounting Systems.
38. Wallman, Steven M. H. (1996), The Future of Accounting and Financial Reporting, Part II: The Colorized Approach, in: Accounting Horizons, Vol. 10, pp. 138 –148.
39. Wallman, Steven M. H. (1997), The Future of Accounting and Financial Reporting, Part IV: “Access” Accounting, in: Accounting Horizons, Vol. 11, pp. 103 –116.
40. Xiao, Zezhong/Jones, Michael John/Lymer, Andy (2002), Immediate Trends in Internet Reporting, in: European Accounting Review, Vol. 12, pp. 245–275.
41. Zarowin, Stanley/Harding, Wayne E. (2000), Finally, Business Talks the Same Language, in: Journal of Accountancy, Vol. 189, July, pp. 24–30.