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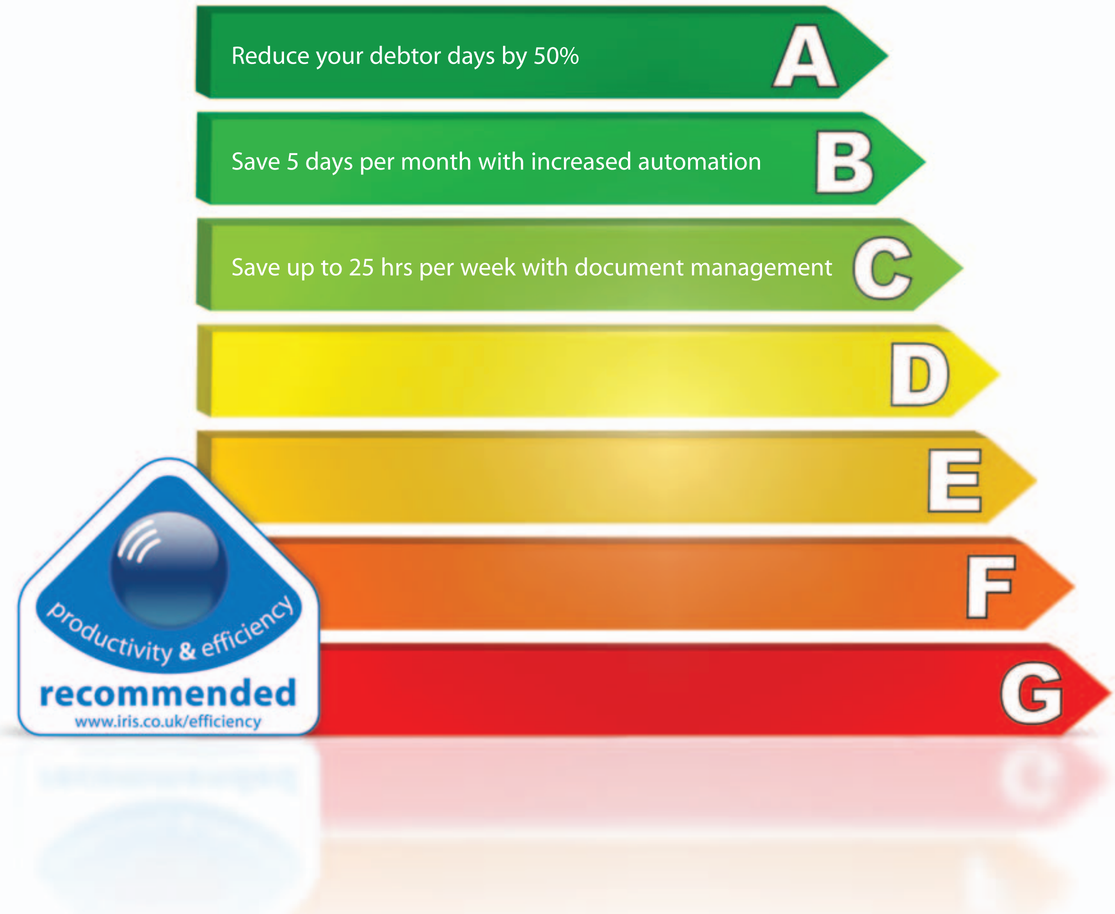

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GET READY FOR XBRL

THERE IS NOT MUCH TIME TO GET PREPARED FOR THE NEW WAY TO FILE COMPANY ACCOUNTS ONLINE BUT IT IS VITAL YOU ARE READY, SAYS DENNIS KEELING

As the UK Government finalises its plans to implement XBRL filing of company accounts in 2011 and the US SEC has imposed mandatory filing in XBRL on about 500 companies this year, many accountants are confused by the change.

For those practices using taxation and final accounts applications, the planned government changes in 2011 will be seamless. These applications handle the preparation of the final accounts and the corporation tax submission to HMRC and the annual account filing to Companies House. The developers of these applications have been working closely with HMRC and Companies House to facilitate the move to XBRL. As Phil Robinson , MD of Iris Software, says: 'We have made a considerable investment in our products to meet HMRC's expectations'.

But, of course, a large number of corporation tax and statutory account filings are still made by agents or by the companies themselves using nothing more than a spreadsheet to prepare the information. The government is preparing its own online facility to capture this information electronically. Not a problem for the CT600 form (company tax return), but it's the computations and the statutory accounts that will be the problem – where companies have had a degree of flexibility in the format of these documents.

At the moment, online filing of corporation tax in the UK uses a mixture of XML and pdf. Most of us can read pdf files using free downloadable software. Some accounting systems now have a pdf generator built-in to enable their customers to generate the financial accounts in pdf format, but it is unlikely that accounting systems or spreadsheets will have a simple XBRL generator in the future. Mapping a company's profit and loss, balance sheet and computations to XBRL would be a major hurdle for the small company. This is even more complicated by the two different formats that the accounts can be prepared in – UK GAAP or IFRS. These are the processes that the final accounts and taxation software developers have incorporated into their applications.

It's unlikely that HMRC will allow corporation tax supporting documents (statutory accounts and computation sheets) to be filed in pdf format after 2011 – its objective is to get this information in XBRL. HMRC is currently working on delivering templates for online submissions of integrated accounts and computations. These templates are expected to follow the same concept that Companies House used with its downloadable Adobe forms for abbreviated accounts. We will await HMRC's planned announcement later this autumn.

It would seem that the simpler, trouble-free solution would be to start to use a final accounts and taxation package instead of a spreadsheet to prepare the submissions. As David Forbes, MD of ProTax, says: 'Most accountants use accounts preparation software, even though they still submit paper returns. We have to make it easy for them to file these returns electronically in the future'.

Dennis Keeling is chief executive of Business Software Intelligence, the online software comparison website. He was previously one of the founders and chief executive of BASDA, the representative body for the software industry

WHAT IS XBRL?

XBRL (extensible business reporting language) has been around for ten years - it's a form of XML (extensible mark-up language) which has been around a lot longer. A mark-up language is a dictionary of tags that allows a computer program to describe the text. So Word uses its own 'tags' to describe the text, eg. paragraph, capitals, etc. HTML (hyper text mark-up language) is a basic mark-up language used for web-pages. XML is a generic form of tags enabling marked-up text to be used for a variety of applications, eg. mobile phone text messages, e-commerce, etc. XBRL takes these tags a stage further and describes the environment that a set of financial accounts have been drawn up in, eg. year, period, account name, etc. All of these tagging tools are designed to be read by computers – they are gobbledygook to the untrained eye.

XBRL is designed to be read by computers, not humans. So how do companies submitting the corporation tax returns and the tax inspector receiving the information read what has been sent? The latest answer is a new concept called iXBRL – inline extensible business reporting language – a bridge between HTML and XBRL to enable XBRL documents to be read by humans. The final accounts and taxation products will make use of this new XBRL standard for submissions to HMRC.

CORPORATION TAX

At the moment companies can file their corporation tax returns by paper or file online using HMRC's online filing facility or third part taxation products. But from 1 April 2011, under government proposals, companies will have to file their company tax return (including supporting documentation) online and pay your corporation tax electronically. See hmrc.gov.uk/ct/returns/index.htm

For a company tax return to satisfy the legal delivery requirement it must consist of a CT600, any appropriate supplementary pages and statutory accounts. Those filing the CT600 form online are able to file the supplementary documents as an electronic copy in pdf format.

From autumn 2009 the current HMRC online tax return – CT product will be replaced by a new downloadable return with integrated accounts and computations templates.

JOINT FILING

By 2011, you should be able to file joint annual accounts and company tax returns, making one submission to cover both. This will save time as companies will be able to provide the same information to two different government departments at the same time. Filing joint accounts will be an optional service and companies will be able to continue to file separately if you prefer.

HMRC is still working closely with Companies House, their IT partners and other service providers to explore the options for delivering this facility. When the launch dates are finalised, HMRC will publicise them.

FOR A LIST OF THE LEADING FINAL ACCOUNTS AND TAXATION APPLICATIONS SEE **ACCOUNTANCYAGE.COM/BSI**

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MANAGING YOUR MERGER

THE SUCCESS OF ANY MERGER IS RELIANT ON TECHNOLOGY AND INTEGRATING LEGACY SYSTEMS, WRITES BEN SCOTT KNIGHT

Research has shown that around half of all mergers simply do not deliver the expected value to the business. But evidence also shows that companies with established effective policies for managing the post-merger integration can increase the chances of the deal's success by as much as 50%.

In other words, it's not the merger that's usually to blame, but what happens afterwards. Without doubt, one of the major reasons for merger failures is a lack of reporting transparency and communication about deliverables from project manager to board and stakeholders. And one of the key areas for making that work is through the integration of technology.

When two organisations decide to join forces, they usually talk about synergies, compatibility and maximising shareholder value. The newly-created organisation will often use the post-merger integration period to cut costs, such as staffing levels and operational expenditure.

Most companies are pretty good at understanding what has to be done to cut costs; what they often lack is a robust process to track the savings generated. They rely on disparate technology and legacy systems rather than a single point of reference.

If financial data is not captured or reported on consistently, decision makers will struggle to know whether programme goals are being achieved. That defeats the entire object of the process.

WHAT USUALLY HAPPENS?

After a merger, the benefits data is often reported and analysed in a series of standalone spreadsheets or unconnected systems. You may get data in different formats with multiple contributors so it's no wonder it can become impossible to tell what's really going on. In addition restructuring programmes often run for years, with participants coming and going throughout the time leading to a lack of consistency and longer term governance issues.

As a result the board could easily find itself making major strategic decisions based on inaccurate financial data with no clear audit trail. What's more, an integration programme meant to save £100 million might only be able to track 75% of those costs. The rest simply gets lost amid all the other post-merger initiatives.

Ben Scott Knight is a director at business consulting and technology firm Concentra

MEASURING SUCCESS

So, you think you have an effective process in place to manage your post-merger integration and realise all your savings? To be sure, you need to cover off a number of vital areas:

- Consistency – are all business units reporting their data the same way?
- Discipline – are you receiving that information in a timely fashion?
- Accuracy – has the data from each initiative been signed off by the project leaders?
- Collaboration – are all your stakeholders involved? Third parties often play a key role in making mergers work
- Over-servicing – how much time are you taking in tracking benefits rather than creating them?
- Governance – are you totally confident in the financial data you've received? Remember, you may be making strategic decisions (or reporting results to the market) based on that information

WHAT ARE THE BENEFITS?

During post-merger integration, organisations need to manage a wide range of financial benefits to ensure they're reaping the intended value. They include:

- Staffing costs (cost of redundancies versus salary savings)
- Property/asset disposal (closing offices or facilities)
- Synergy savings (headcount and vendor spend)
- Offshoring (moving business processes abroad)
- Optimising the supply chain (comparing supplier costs)
- Decommissioning (cost of legacy systems)

If your merger has thrown up any or all of these issues – and most will – then you need to take a long, hard look at how you plan to track the benefits.

AVOID SPREADSHEET SLAVERY?

Up until now, most merger integration programmes have been characterised by 'spreadsheet slavery' – organisations rely on dozens (perhaps even hundreds) of separate and often unconnected financial documents. Often they represent data in different formats and there is no consistency whatsoever.

And, of course, this issue becomes even more pronounced when dealing with business units in other countries where financial data may be reported differently. This is a particular problem when mergers involve large multinational organisations spread across multiple territories.

However, there is a better way. You can employ collaborative technology to establish a consistent process across all your multiple systems and cost-cutting programmes.

This allows teams to spend more time on generating benefits and less time tracking them. In fact, research has found that effective benefits-tracking technology can cut 20-40% off the time used to manage the process.

And if everyone involved in a project (eg. finance, project managers – various teams from both pre-merged businesses) is using the same system to log their results, the board can have total confidence that the data they're seeing is as accurate as possible.