

Video Transcript - IFRS for SMES and iXBRL

Hello everybody. My name is Danielle Stewart and I am a Partner at Baker Tilly.

I am here today to tell you about the International Financial Reporting Standard for Small and Medium-sized Entities, otherwise known as the IFRS for SMEs; as well as the latest changes to corporation tax return filing requirements.

Let's look at the IFRS for SMEs first.

Way back in 1995, I was a member of a committee that wrote the first financial reporting standard designed especially for smaller companies. At that time, we speculated whether one day, something similar might be issued by the international accounting standard setters. In July 2009, after a very long incubation period, that is exactly what happened! The International Financial Reporting Standard for Small and Medium-sized Entities was born- although its scope is much wider than just SMEs- the idea is that it should be used for any company that is not publically accountable.

Earlier this year, the UK Accounting Standards Board issued proposals for a new financial reporting regime in the UK. Under these proposals, most companies currently reporting under UK accounting rules will have to adopt the IFRS for SMEs.

In essence, the IFRS is a simplified and shortened version of the full international financial reporting standards that are applied to public companies. It will change the way certain figures in the accounts have to be calculated- for example, certain financial instruments which are currently carried at cost, will have to be measured at fair value. But seemingly perversely, if you currently include your freehold properties at a valuation, you will henceforth need to carry them at cost!

There will also be certain presentational changes to the financial statements; for instance, the balance sheet will turn into the 'Statement of Financial Position', and it will be laid out differently to your current balance sheet. How much impact the new rules have on your company will depend on the circumstances of your business and the accounting policies that you apply under the current rules.

This could mean lots of additional work for your finance department, which could be a complete nightmare, especially if you are currently using all your energy to get your business back on track following a couple of very lean year's trading. But don't worry; here at Baker Tilly we can help you! We already have a strong track record in IFRS related services, and knowing these changes were coming, we've developed and trained a network of dedicated experts right across the country, who can work with your finance team to help you in converting to the new regime.

No doubt you are wondering when these new rules will come in.....

The Accounting Standards Board has yet to finalise its proposals; they are still developing ideas based on their review of comment letters received on their initial plans. They hope to issue an 'exposure draft' in the Autumn, which will be followed by a further period of consultation. So although we are in close contact with the ASB, we won't be able to give you a definitive view of exactly what the new rules will look like until 2011, when the final standard is issued. However, there will be much more certainty in September, with the issue of the Exposure Draft, so we will let you know more then.

The other big change going on in the regulations applying to companies at the moment is XBRL.....

So what on earth is XBRL? Put simply, it is a bit like a computer programming language, except what it does is to 'tag' financial data so that it can be communicated, processed and analysed automatically by computer software. It is a bit like bar coding, because whilst you and I can't read it, the tag can be read by a computer.

And why are we talking about XBRL at all? Well, some years ago, HMRC decided that rather than their staff having to enter all the figures out of companies accounts into a computer, it would make more sense if they could develop a method by which the data could be automatically entered from returns submitted by taxpayers. They started with an existing technology, XBRL and developed their own version of it, which is known as iXBRL. This stands for inline eXtensible Business Reporting Language- and don't worry, there is no need for you to remember this name!

So from 1 April next year, for any accounting period ending after 31 March 2010, not only must corporation tax returns and supporting documents be filed online, they must also be in the new iXBRL format.

HMRC will benefit from this, by being able to perform statistical analysis on the companies' figures, and this will help them target their enquiries as well as allowing the Government to be better informed in setting tax policies of the future.

Companies House also want to have all accounts filed in XBRL format eventually, but they are a bit behind the HMRC- you can still file accounts with them in a paper format, and there is no specific timetable in place for them to switch over to purely electronic filing. So it will shortly be mandatory for accounts to be filed with HMRC in iXBRL, and it will soon be mandatory for Companies House too. The main issue arising is that we all need to ensure that our software is able to cope with the new requirements. I am pleased to say that Baker Tilly's corporate tax software is already iXBRL compliant, and our accounts production software will soon be compliant too. We have been online filing, under the old system, since 2009 and we will be well prepared to file under the new iXBRL system when the time comes.

So if you, like so many companies, feel worried about online filing requirements and XBRL, you can simply use our services in order to do all the work on your behalf!

This leads me neatly to my main point today- which is:

- You cannot avoid the fact that Laws and regulations keep changing- the IFRS for SMEs and iXBRL are the latest changes-and they are very significant indeed;
- This undoubtedly puts demands on you and your finance department;
- But all this change does not have to be a nightmare- here at Baker Tilly, we are all geared up to deal with the resulting issues on your behalf- to take the pain out of change, so to speak!

So please, do not hesitate to get in touch with us, even if all you want to do is ask some questions arising out of my short presentation today.

Thank you for watching this presentation. I sincerely hope that we can work together with you on these projects in the future. Good bye for now!