

# Life after iXBRL

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**accounting**WEB

In association with Sage Accountants' Division



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## Background



**John Stokdyk** is the editor of AccountingWEB.co.uk and has worked for the site since 1999. Before that he was technology editor for Accountancy Age and has covered accountancy software since 1997, the year Self Assessment was first introduced.



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# Life after iXBRL

With the recent confirmation that the minimum tagging list will continue for the medium term, iXBRL has now settled into a more stable and comfortable environment. We still have the “soft landing” period for a little longer, giving firms and companies a little more leeway with their tagging.

Most have now got used to the principles of iXBRL, and the coming year gives the opportunity for users to refine their practice and sort out the more tricky areas, such as related party notes.

There remain some choices for users – whether to adopt a single combined software package which will provide both tagged accounts and iXBRL tax computation and return, or to use separate software for accounts and tax computations. The last year will have given users the opportunity to assess the performance of the software they have used so far and with more experience of what is needed and how that might be profitably achieved in the practice we are ready to move ahead to year two. Firms will be reviewing their current software in the light of the fairly steep learning curve of summer 2011, and considering how the new process will fit into the longer term work flows in their tax department.

## There's more to iXBRL than just filing CT600s

It's a year or so after filing the first iXBRL accounts and life is returning to normal for most company accounts preparers – or is it?

For many, 2011 looked like a year of major upheaval and disruption just as the busy 31 March year end work was starting. Some firms had software in place to automate the production of the iXBRL accounts required for filing online with the Corporation Tax Return CT600. However, for many this was a step too far and they were forced to resort to iXBRL conversion software or simply outsourced the process to a third party once the final accounts had been prepared in Word. The smallest firms - and many companies who produce their own accounts - made do with the laborious and time-consuming online tool provided by HMRC.

In the end HMRC tells us that more than one million 2011 accounts and CT600s were filed one way or another. In reality, even some final accounts production software only generated a file to meet HMRC's absolute minimum tagging requirement, which effectively converts a Word file into iXBRL format with a dozen or so mandatory tags – very little financial data was tagged at all.

So, far from resolving the iXBRL issue, many firms simply postponed it. For them, time is starting to run out. HMRC is already using iXBRL data for risk management and will not accept minimum tagging indefinitely. Firms currently filing fully tagged accounts believe that this reduces the risk of investigation, making a strong argument for a more rigorous approach.

Our view is that best practice means taking a more strategic view. The need to improve iXBRL reporting creates an opportunity to improve efficiency, profitability and client service by adopting an integrated, automated final accounts and iXBRL solution.

The following table illustrates the potential savings using estimated timings and costs for a typical small firm. Substitute your own figures to calculate the sort of savings you could achieve.

iXBRL Timeline			
Spreadsheet-based		Fully Automated Process	
SPREADSHEET-BASED ACCOUNTS PRODUCTION TO TAX RETURN PROCESS		FULLY AUTOMATED ACCOUNTS/CT PROCESS	
		HOURS	COST
1	Enter trial balance figures in Excel following manual preparation of accounts	0.50	£25
2	Review accounts working papers & adjust spreadsheet	1.00	£50
3	Key in or import TB data to final accounts template	3.00	£150
4	Review & send to client for signature	0.50	£25
5	Convert final accounts with iXBRL tool	1.00	£50
6	Extract relevant figures and enter them into CT computation software	0.50	£25
7	Review & send CT600 to client for signature	0.50	£25
8	File online	0.25	£12
Time/Cost Totals		7.25	£362
NOTE: Assumes all tasks carried out by team member charged out at £50 per hour			
1	Import trial balance from accounts package to final accounts	0.25	£12
2	Review & adjust final accounts	1.00	£50
3	Output Word/PDF for client and iXBRL file for CT600 filing	0.10	£5
4	Complete CT adjustments/computations in tax application	0.50	£25
5	Review and send final accounts & CT600 to client for signature	0.25	£12
6	File online	0.25	£12
Time/Cost Totals		2.35	£116
This process has fewer steps and will save your practice time and money!			

This is a particularly urgent issue for firms still using Excel templates for final accounts production. Complying with annual changes in company accounts disclosure requirements can be delegated to software that completely automates this aspect of account production. Meanwhile, accounts preparation staff become happier, more committed team members who can devote more time to added value services – and generate higher fees.

Buyers should look for software that is quick and easy to learn, with intuitive screen layout and navigation, and good built-in error and warnings reporting. Manual adjustments need to be made in any accounts, but the software should control the scope for this and provide tools to facilitate final review of both figures and disclosures. You should be able to import trial balance data from most accounting software and then export final accounts figures into your tax return software. This transfer is much more easily achieved if the two packages are already fully integrated.

Software providers are not stopping at iXBRL conversion though, and recognise that electronic data gives the firm a new resource for its own CRM, management information, planning and risk assessment purposes; for example to compile firm- and industry-focused assessments for profitability, financial and investigation risks.

Still undecided? Be aware that finance directors in many small companies are starting to buy final accounts production software themselves as they see the time and costs savings they can achieve. This presents a significant challenge to the traditional external accountants, who may see part of their usual workload disappearing. But if you are suitably equipped and closely involved with these kinds of companies, there is an opportunity, too, to turn this to your advantage by incorporating their final accounts output into your audit and internal processes.

The regulatory machinery built around iXBRL is already turning, and professional firms cannot put off indefinitely how they are going to deal with it if they want to retain this type of corporate compliance work.



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