

THE GOVERNMENT MAY BE OPTING TO **WAIT AND SEE** HOW THE EURO AFFECTS US, BUT AS JAMES TAYLOR POINTS OUT, BUSINESS CANNOT ALLOW ITSELF THAT LUXURY.

European horizon

Whether you welcome it or wish it would just go away, the euro looks like it's here to stay. Its official début is 1st January 1999, when it becomes the currency of the participating Member States of the European Monetary Union (EMU). Its exchange rate will be determined by the European Council with the participation of the

During a transitional period running from 1st January 1999 to 31st December 2001, the euro will also be divided into "temporary national currency units" — deutschmarks, francs, lire and so on, according to their conversion rates. On 31st December 2001, the participating national currencies will cease to exist and the euro will be used throughout the EMU.

The EMU is made up of those European Union (EU) member states that meet the complicated convergence criteria for changing to the single currency and are likely to include Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. Those countries will therefore each introduce a dual-currency system on 1st January 1999, phasing out the use of their local currency over the subsequent three years.

The UK is not among those adopting the euro, at least for the time being, and although the present Government is in favour of joining, it has promised a national referendum first, the outcome of which is still not certain. Denmark and Sweden have also decided not to join immediately. Greece did not meet the economic criteria (anyway, in Greek, *euros* means "urine"). In the UK, then, 1st January 1999 merely sees the introduction of a new foreign currency.

■ How will it affect your small business?

Well, if you currently do no overseas business, you will not be affected at all. If you handle a relatively small number of transactions in participating members' currencies and find yourself being asked to deal in euros instead, you can convert each transaction individually. Making a payment will typically mean completing a standard bank form specifying the euro as the paying currency. The debit will appear on your (present) sterling account as usual.



European System of Central Banks (ESCB) and the European Commission. Interest rates will be set by the European Central Bank (ECB).

Like the pound or dollar, the euro is not normally capitalised. Its symbol is a stylised letter "e" (*illustrated, above*) used in front of amounts, just like £ or \$ signs. One euro will be divided into one hundred cents. The Government seems not to have made up its mind whether its plural is *euros*, like pounds, or *euro*, like sterling, because it's using both.

THE ART OF EUROGLYPHICS

The problem with a brand-new, made-up currency is that its symbol also has to be brand-new and made-up. Consequently, it does not appear in any previous computer font or on any keyboard.

Windows 98, NT 5.0 and CE (later versions) users will find the euro currency symbol supported in Times New Roman, Arial and Courier New.

Windows 95 or NT 4.0 users can download a fix from Microsoft's web page. All of these allocate the euro symbol to ALT Gr+4 in the UK. Alternatively, insert the euro symbol via Insert/Symbol from the menu, looking under Font "normal text" and subset "currency symbols".

Office 95 and Office 97 can both recognise the euro character. To print it, though, Office 95 needs either updated printer fonts (talk to your printer manufacturer) or to be set to print fonts as graphics by changing the Printer Options box, which considerably slows down printing. In Office 97, Word 97 can handle the euro symbol automatically. Excel 97 needs its registry settings to be changed, while PowerPoint, Access and Outlook behave

like Office 95.

Microsoft has no plans to provide updates for Windows 3.x, Windows for Workgroups 3.x and prior versions, Windows CE before version 2.1, nor for the MS-DOS operating system. If you're using those, you need to look elsewhere.

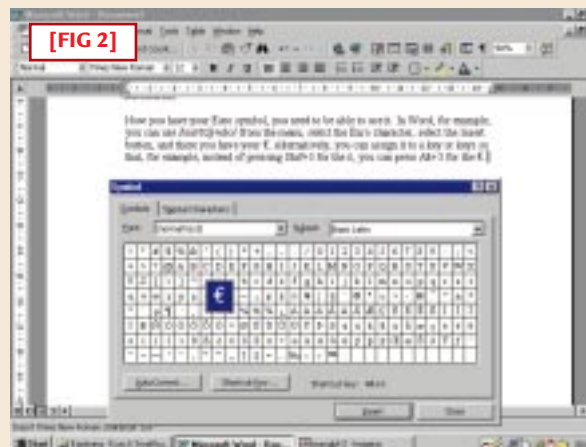
Euro solution

One company offering a solution is EuroType, whose EuroGlyph software will add the euro symbol to any TrueType font. EuroGlyph has to add the euro symbol separately to every font you want to modify [Fig 1] including styles like bold and italic. Having chosen your font, the software selects a default character to be replaced by the euro, showing it in the top right-hand box.

Or, you can pick your own if you prefer. You might, for instance, dedicate a font you don't normally use and replace its pound sign. You have the

choice of the official "standard" character, or a scaleable option which adjusts the character to match the font in use and ensures correct tabulation.

This is important where figures appear in columns and tables and accurate vertical alignment is essential. It is easiest to let the software add the euro symbol to the selected font and install it automatically,



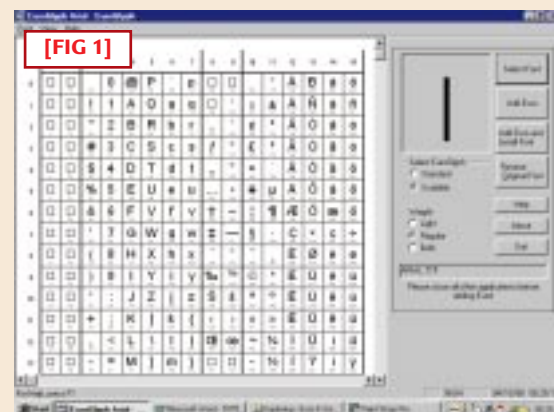
ready for use. After rebooting your computer, you can see the substitution.

Now you have your euro symbol, you want to be able to use it. In Word97 you can use Insert/Symbol from the menu, select the euro character, select the Insert button, and there you have it. Alternatively, you can assign it to a key, or keys, so that instead of pressing SHIFT+3 for the £, say, you can press ALT+3 for the symbol [Fig 2]. Finally, you can enter it by typing in its code, in this case holding down ALT while typing 124 on the numeric keypad, which then also gives you the euro.

• **Neither the** Microsoft updates nor the EuroGlyph changes are transportable. Trying to view or print any resultant files on another machine won't work unless it has the same font changes installed.

PCW CONTACTS

EuroGlyph costs £54.95 (inc P&P). Available direct from EuroType 01442 824130 www.eurotype.com
Microsoft update freely downloadable from www.microsoft.com/technet/topics/euro



Payments received, whether electronically or by cheque, will be converted and credited to your sterling account.

If you make or receive a large number of euro payments, you can open a euro account in addition to your sterling account. An incidental benefit is that you can then combine all the balances of your "transitional" currency accounts to simplify account reconciliation. Due to rounding effects, converting national currency into the euro, then later back into national currency (or vice-versa), may in some cases result

in a difference between the initial and final amounts. It is better to leave conversions, during the transitional period, to your bank. Some UK-based firms, including Philips, IBM, Siemens and the Rover Group, have announced that they will start to use the euro for invoices and payments.

If, or perhaps when, the UK commits itself to monetary union, all businesses, whatever their size, will have to change their budgetary, accounting and fiscal systems, including salaries, prices, social security contributions, VAT payments, charges, benefits... the list goes on.

■ Accounting and the euro

Implementing the systems necessary for both the transitional, dual-currency phase and for the complete changeover to the new currency, will need a considerable amount of time. The principal problem is technical: most UK-specific accounting and management software is currently unable to handle full euro accounting as laid down by the European Commission.

The EC's regulations cover two major considerations: how conversion between currencies will be calculated, and how rounding should be handled. Both will have a significant impact on your accounting software. Participating currencies can only be exchanged using strict rules, known as triangulation, enforced by publishing conversion rates for the euro against EMU countries' national rates. Thus, there will be no exchange rate for the franc against the deutschmark. There will be a conversion from the franc to the euro and from the euro to the deutschmark. After the final conversion from the euro to the EMU national currency, you can round to two decimal places (0.00499 down to 0.00, or 0.005 up to 0.01).

The conversion rules are quite specific, including expressing the euro in terms of each of the national currencies to six significant figures (counted from the left and starting with the first non-zero figure) and neither rounding nor truncating during conversions. You cannot use inverse rates derived from the conversion rates.

The conversion and rounding rules do not specifically describe the conversion from a participating national currency to a third currency (one that is not taking part in EMU). However, it seems to be accepted that they will follow the same triangulation rules, so that to exchange the pound against the franc you would first convert pounds to euros, and then convert euros to francs.

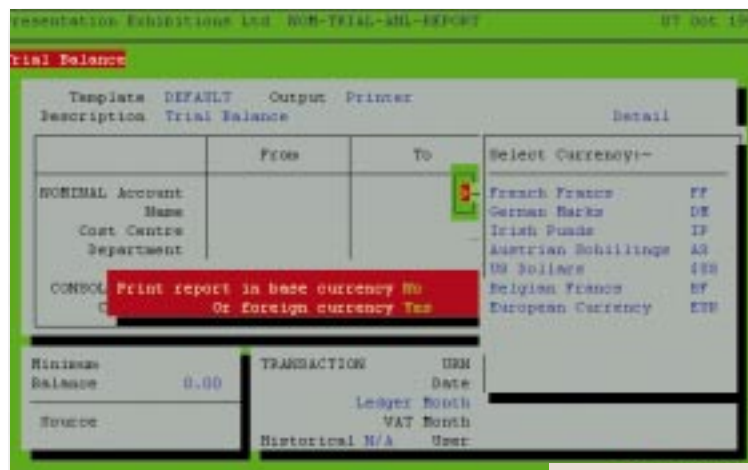
Clearly, during the transitional stage, your accounting software must be multi-currency and able to operate in at least sterling and euro simultaneously. You can then use euros for particular order, invoice and payment transactions and let your software process them entirely in euros at the same time as other transactions are being handled, in a separate account, in sterling. Of course, you would have to convert from one to the other for reports such as profit and loss, and balances. If the UK goes into full monetary union, or you do a lot of business with EMU countries, your software must be able to handle full triangulation.

If you think you are going to get caught up in euro transactions, you need to change your account currency at an appropriate year-end. Once the old year has been closed, all the balances

to be carried forward will just need to be converted, paying special attention to items still open. Long-term budgets and forecasts are probably best done from scratch, in euros. All your previous years' results will also need to be converted if you use them for comparison. That just leaves you to decide when to convert to using euros internally. For most small businesses, it's unlikely to be before the UK joins, if ever. That will have the advantage of letting others wrestle with clarifying the regulations and sorting the bugs out of the software. It will also not distract you from any Year 2000 problems that might be lurking.

■ Soft solutions

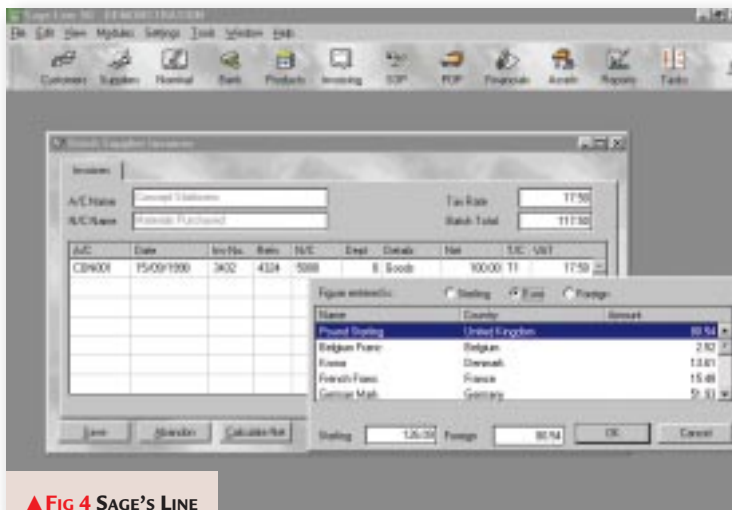
It is unlikely that personal or very small business software, such as the likes of Quicken, Money or Solo, will ever be able to handle full triangulation conversions although you will be able to use those for the single euro currency if the UK joins the EMU, of course. Some publishers of accounting software for small- to medium-sized businesses will not have their software ready for full triangulation by 1st January 1999 either, although those which are already multi-currency will be able to manage euro accounts, leaving you to convert manually.



▲ **Fig 3** SAGE'S **LINE 100** RANGE CAN PRODUCE REPORTS IN EITHER YOUR BASE CURRENCY OR A CHOSEN FOREIGN CURRENCY

Looking at individual software publishers shows varying states of readiness, although all the big names are planning new versions for 1st January 1999 or before. No firm has final prices yet, so perhaps they're waiting to price in euros?

➔ **Sage** already has a multi-currency application (formerly called Sovereign) in its **Line 100** product [Fig 3] with extra euro-compatible features promised. These include storing all currency exchange rates to six significant figures, converting between the euro and EMU member states' currencies, calculated using triangulation rules, applying exchange rate and rounding differences according to EU legislation, and producing financial statements in euros. And, payments in one currency will be matched



▲ **FIG 4 SAGE'S LINE 50 RANGE HAS A EURO CALCULATOR**

against invoices in another. Also, existing individual customer and supplier accounts will be converted to euro-based accounts and the program can handle euro exchange gains and losses. Sage's view is that currency conversions will follow triangulation rules when either one or both of the currencies involved are euro zone currencies. Exchange loss and gain is posted to the nominal ledger. Rounding discrepancies are accounted for separately from exchange loss or gain.

Although Sage's Line 50 for Windows version 5 (formerly Sterling) is not a multi-currency product, it will include a euro calculator [Fig 4] which will allow you to convert values between your base currency and the euro. You can then print euro totals on a sales invoice which has been entered in your base currency, or convert a euro payment to your base currency, before allocation against the relevant invoice.

THE ACCOUNTANTS' VIEWPOINT

Voice of the industry, BASDA (Business and Accounting Software Developers Association), representing the UK's leading accounting software developers, has produced its own "White Paper" on the implications of the changeover to the euro for UK businesses. Included is an update of the effect on banking, by the British Bankers Association;

implications for accounting, by the Institute of Chartered Accountants in England and Wales; and how EMU will impact on an organisation, by IBM. The "White Paper" also includes the latest version (2.2) of the *BASDA EMU Specification and Accreditation Standard*. The "White Paper" costs £50. BASDA is also lobbying HM

Customs & Excise for a change in the rules which insist that while UK companies can account in euros and submit their returns in euros to Companies House, the UK VAT authorities require all of their information to be in sterling. BASDA has also developed triangulation test data to help users test the compliance of their financial and accounting software systems.

➤ **Access Accounting** also has existing multi-currency products that can be used to accommodate some of the demands of accounting for the euro. It includes the ability to handle multiple exchange rates per currency, clear foreign currency invoices with a payment in a different currency, and allocate payments against invoices in a foreign currency. Extra functionality planned includes reporting in euros in the three main ledgers, historical and comparison reporting in euros, and the ability to retain and revert to your local trading currencies while trading and reporting in euros, just in case European Monetary Union does not hold.

➤ **MAP Pastel** is designing a euro version of its **Pastel Partner** software, which is already multi-currency, with some EU processing in terms of EU sales and purchase reports, as well as automatically exempting EU sales and purchases from tax. To this will be added the ability to include tax on foreign currency transactions. But not all EU members subscribe to EMU. Pastel's philosophy is to shield users from extraneous features where possible and it will be necessary to "opt in" to Pastel's EU processing menu — you are not obliged to enable multi-currency processing. If your customers, suppliers, bank accounts, and your own company, trade only in euros, multi-currency processing is unnecessary.

➤ **TAS** is planning new euro-compliant products, including an entry-level system with a conversion calculator. Also included is a reissue of **TAS Books for Windows**, with multi-currency and triangulation capability, and **TAS Business Controller**. Later, we can expect to see a much-extended version which is likely to encompass dual-base currency.

• *This article reflects the facts as well as the conjecture which was current at the time of writing (mid-October, 1998). Such are the current uncertainties surrounding the global economy that the situation may have changed by the date of publication.*

PCW CONTACTS

Access Accounting 01206 322575
www.access-accounts.com

Association for the Monetary Union of Europe
+ 33 1 44 70 60 30 (Paris)

amue.lf.net/amueindx.htm

BASDA 0171 878 1750 europa.eu.int/euro/HM
HM Treasury general information
0171 270 4558 www.hm-treasury.gov.uk

EMU — Practical Information for Business and The Pros and Cons of EMU (HM Treasury booklets published July 1997). Contact the Public Enquiries Unit of HM Treasury 0171 270 4860.

Exchequer Software 01202 298008
www.exchequer.com

MAP Pastel 0161 630 7000 www.pastel.co.uk

Sage 0191 255 3000 www.sage.com

TAS Software 01372 727274
www.tassoftware.com