SMOOTHLY DOES IT

FRS 102 has caused plenty of waves for bigger firms using accounting software lately. Now it's the turn of smaller practices to take on board the changes, writes **Azhar Baig**

Accounts preparation software, like your broadband connection, is expected to always function. You may never give a second thought to the complex calculations and algorithms that are taking place - except when it is not working as expected.

For many years this software has been seen as a vital element of the profession's toolkit. Accountants have become more efficient through the use of technology as their work has become more complex. Up to now, the software was easily able to keep up with the incremental changes to standards and legislation. That all changed with the introduction of new UK GAAP, in particular FRS 102 and FRS 105, and changes to company law for small entities. The changes bring improvements and introduce new requirements that need to be addressed. This has meant a monumental task for many software vendors of maintaining existing standards and functionality while at the same time developing for new standards.

LEARNING FROM EXPERIENCE

Large and medium-sized entities have been implementing FRS 102 for the past two years with accountants using a combination of software and professional judgement to ensure new requirements were met. This year will see the largest group of businesses - small and micro-entities - implement FRS 102 or FRS 105 for the first time. There are lessons to be learnt from early adopters so small practices can prepare for what lies ahead and make a smooth transition.

Every accountancy practice will have heard about the changes and made a decision as to how it effects them. Small practices may well have chosen to stay with the Financial Reporting Standard for Small Entities (FRSSE) for as long as was permitted and avoided the changes in 2016. Accountants are now ready; technical update courses have prepared them well. Small practices need to ensure that they have a good grasp of the changes now that they are mandatory and how their chosen software provider is addressing the changes.

The experience with accounts preparation software is getting better. Last year saw software vendors compete to be first to market with software that could address all the new requirements. Some might call it an understatement to say that there were some teething problems. The good news is that the main software

3 Budget The preparation of the financial statements should be budgeted for appropriately - it will be different to last year! In understanding what you need to do, you will be able to assess the costs of implementing the changes. Compare budget to actual to understand where variances arose. What needs to be different on the next assignment?

4 Software Make sure you have the latest versions of your software, including any disclosure checklists. The updates will address functionality as well as bug fixes. Do you have a process for finding out when the latest version is available, and when you will choose to upgrade? How will updates affect your in-progress files, for example where you may have processed a work-around? To allow you to revert to an earlier version, make backups of all your completed files, and take regular backups as your assignments progress.

Make sure that you have the ability to retrieve previous work completed on older versions of software. In the case of a complaint or a claim, you need to be able to demonstrate the quality of the work performed. The only way to do that may be to have an old version of the software and the relevant backup.

5 Process Have a clear step-by-step guide that you can use on all your assignments to set out what needs to be done using your software and when. What standard journals will you need to make sure your prior year comparative is correct? Create a checklist to make sure you consider everything for each client. Many processes will be determined by the functionality in your software. It is important to understand how it works, and to know what new functionality is available. What will be different for assignments where they adopted FRS 102 last year?

6 Tailoring How will your software implement new requirements? Make sure you tailor boilerplate text to your client. Even if your prior year text has rolled forward, check is it complete and correct. For example, you may need to add or amend accounting policy wording or voluntary disclosures to give a true and fair view.

7 Know what to expect If you have made a mistake, the software won't know that. Do you know what the output should be? Do the accounts reconcile to your underlying documentation? Is the wording of the audit report correct? Having knowledge and understanding of your client is going to be a critical part of assessing the quality of the output being produced. There are different financial statement options - full, abridged or 'filleted'. Do you know how to produce them and when they can be used?

8 Quality control Disclosure checklists are just one part of quality control; having an up-to-date checklist and using it will help demonstrate compliance. You are going to be associated with the financial statements, so make sure you have quality control procedures in place - from making sure all the figures tie back to your work, through to spelling, grammar and formatting.

9 Feedback Learn from your assignments and make sure you share lessons learned and update your processes so that all your future assignments work better.

10 Support The software vendor can provide support on the software and its functionality. But there are also resources available from ICAEW to help you with the changes in new UK GAAP. Don't forget to speak to others and check what user groups and forums are available for your software. ●

vendors have taken action and updated their software to address the new requirements of FRS 102, FRS 102 Section 1A (for small entities) and FRS 105 including the associated SORPs and legislation changes.

The technical helpline at ICAEW (see box, below) has been in a unique position to support members as they have implemented FRS 102, including discussing the challenges faced with software. Issues with software have not been eliminated entirely. As more entities apply the new standards, new issues will be found. So how can you be best prepared this year?

1 People This is the most important factor. Make sure your people are ready. This means training them in the changes in the software and in the standards. Investment here will help you to do it right first time. Involve staff at all levels - does everyone understand when a critical decision has to be made? For example, are the right people involved in making decisions around tailoring options at the right time? Or is it left to the most junior person in the office? People at all levels need to be aware of what has changed.

2 Planning Have a list of your clients, their year ends and which standard they are using. Are they early adopting anything? What SORPs are applicable? There will be further amendments to the standards coming in the future - will you want to wait? Will your software be upgraded in time? What if changes are delayed? Use this to understand what challenges there may be, and how you will address them.

A HELPING HAND

- The Technical Advisory Services helpline is a telephone-based service that provides ICAEW members with confidential support on accounting, auditing and ethical issues. Details on how to contact the service can be found at tinyurl.com/ICAEW-Support
- ICAEW's guidance and factsheets about new UK GAAP can be found at icaew.com/newukgaap
- Model accounts and disclosure checklists for new UK GAAP can be found at tinyurl.com/ICAEW-Model-Checklists

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