The Journal

A publication for users of SquareSum's DREAM Corporate Accounting System ☼ Issue 14 ☼ April 2002

DREAM Balance Records

Discussion during a break at one of the Spring User Group Meetings

Balance Records & Year-End

International Payments in the EU

Running Year-End in v2.12

February meetings report

THE USER GROUP held two meetings in February. The first, at the Microsoft Campus in Reading, had over 100 users attend from all over the country. The Microsoft Campus proved a popular venue, within easy reach of a large number of users, and we are fortunate that these facilities have been made available to us at a very reasonable cost.

The meeting started with a welcome from Mark Paine, who SquareSum's contact within Microsoft. SquareSum Managing Director Mike Starkings continued with an update on the company. He revealed that more than 40 organisations representing 17 percent of the installed base have now moved to the latest version of DREAM, and that most of the remainder are running either versions 2.11 or 2.10, leaving only 28 percent on older versions of DREAM. Janet Bainbridge, Director of Professional Services, followed with a summary of the company's future plans for services to users.

Tim Cullis from Infar gave a 'DREAM in action' session, describing the implementation and scanning of attachments. Bath Spa University use attachments extensively, and Jonathan Sebright described how the process works for them.

After lunch, SquareSum's Philip Taylor explained to delegates how their investment in DREAM is safeguarded under the Escrow agreement. In the unlikely event of SquareSum folding, users have access to the source code of the latest version of DREAM that is held at the NCC. The annual cost to companies who require this safeguard is currently about £450 per year.

Simon Miles from Solution 7 gave a lively demonstration of seamless (and apparently effortless) integration of balances from DREAM into Excel spreadsheets.

SquareSum Management held the Question and Answer session, and the meeting closed with the Top Session (see next page).

The Harrogate meeting was held the following week at Follifoot Hall, SquareSum's head office. This second meeting hosted by SquareSum attracted over 30 users, no doubt tempted by the warm hospitality shown by a full compliment of SquareSum staff. Our grateful thanks to SquareSum for allowing us to hold our meeting there.

As always we welcome suggestions for topics to cover at future meetings, and should be delighted if a member would contribute to the success of a meeting by sharing their experiences of how their organisation uses DREAM.

Champagne awards to the Top Bug Reporters

A TRADITION HAS evolved at User Group meetings whereby users providing feedback to SquareSum receive an award as a mark of appreciation for their help in perfecting the product, and for their ideas and suggestions for the future development of DREAM.

At autumn meetings the awards are for the enhancement suggestions voted to the top ten. (*Last issue gives a status report on all requests to date*). At the spring meetings and the Summer University the awards are for companies that report the most bugs. Winners get a bottle of champagne, but you have to be there to collect it!

At the February meetings, SquareSum Executive Product Director, Philip Taylor, presented the awards. He told users that within the software industry, one bug report a day is considered low. However, the rate for DREAM over the last six months has been less than three a week. Furthermore, over 90 per cent of all users didn't report a bug in the last six months.

The record for the number of bugs found in a six-month period is 17—held by Inchcape Shipping when they were rolling DREAM out on a worldwide basis.

Philip Taylor revealed that only Bourne Leisure had come close to beating that record in the last half year; their total of 16 bug reports comprised more than one-quarter of all bugs reported in the period. Many of the bugs were in the area of user-defined input forms. Whereas most organisations might have 20 or 30 fields, some of Bourne Leisure's forms have 600 elements!

Second in line was Cambridge Fire with seven bugs reported. Unfortunately their delegates left the meeting early, so the bottle of champagne was returned to the case.

Third equal were Bath Spa University and Kuwait Investments, both with five reports. INFAR was next with four and finally Descartes was sixth with three.

The bottle not collected went to the University of Hull who recorded two bugs.

DREAM Summer University

The annual DREAM Summer University, this year to be held from 26—28 at Bath University, is *the* major event in the User Group's diary. It is also the largest gathering of DREAM users under one roof, offering attendees the unrivalled opportunity of gaining first hand knowledge from full teams of SquareSum consultants and support, as well as meeting many of SquareSum's Directors, Management and the Design and Development teams. Add to that almost three days of informal discussions with fellow users, this event is a must for any user.

The first Summer University was held in 1999, and each year since then, delegate feedback has been carefully analysed for the next conference. So this year, it addition in incorporating many other excellent ideas suggested by last year's delegates, the programme will be fine-tuned, showing the ability level of user the session is aimed at, and whether it is accounts- or IT-based.

We are very keen to encourage end-users to share their experiences and tips with fellow users, and speakers are offered the heavily discounted delegate rate of £350, which includes accommodation, meals and all materials. Last month we wrote to all users inviting their abstracts, and are now extending the deadline for receipt of these until April 19. Please do consider this invitation—many users tend to underestimate the value of their own particular experiences.

The delegate rate is £625, and the Call for Delegates will be circulated shortly. All bedrooms are ensuite, but over 100 rooms are in purpose-built conference accommodation, and will be allocated first-come first-served.

Britannia Assets

In addition to plans to strengthen DREAM's in-built fixed asset handling, SquareSum has formed a strategic alliance with Britannia Software to offer its Fixed Assets Management system alongside DREAM, to provide greater benefits for users with complex requirements. SquareSum and Britannia already have more than 40 joint customers.

all:sports POS

DREAM reseller Alphameric Retail, has won a £1.4 million contract from leading sports retailer all:sports supplying more than 360 point-of-sale terminals in stores, along with DREAM for the corporate accounting head office solution running on an HP9000 server. Alphameric's flat screen, point-of-sale device will be branded and colour-coded to match in-store décor during the two-year roll-out.

For information on joining the DREAM User Group, meetings and the DREAM Summer University, call Irene Cullis on **01323 471700** or email **irene.cullis@infar.co.uk**

New DREAM User Licences

The companies listed below have become DREAM users since the last issue of The Journal. We look forward to welcoming members of their teams at a future User Group events.

- AES New Energy, Witney
- Sterling Insurance Group, Folkstone
- Schroeder Property Investment Management, London
- Media Lab Europe, Dublin
- Norfolk Lavender, Heacham
- Fowlers Motorcycles, Bristol
- DBS Management, Huddersfield
- Snamprogetti, Basingstoke
- Royal National Lifeboat Institute, Poole
- Magdalen College, Oxford
- Logic Systems, London
- Fleishman Hillard, London
- Opra (Occupational Pensions Regulatory Authority) Newcastle and Brighton
- JSA Group, Watford
- Diamond Joint Venture, Didcot
- Allsports, Stockport
- Teachers Provident, Bournemouth
- NWP Communications, Hemel Hempstead
- Sun Bank, Bournemouth

Understanding balance records

Underpinning DREAM's formidable feature set is a powerful, yet elegant architecture. The king-pin to DREAM's scalable performance is the use of balance records to provide instant access to high-level information.

by Tim Cullis, INFAR

SOME USERS NEVER forget their first demonstration of DREAM—a couple of mouse clicks and a trial balance is instantly displayed.

The typical reaction from an accountant accustomed to having to wait several minutes or even hours for a trial balance is reach for the cheque book.

How does it do this?

One of DREAM's fundamental design objectives is the provision of quick and easy access to high-level information with the ability to then drill down to retrieve detailed entries.

When you initiate high-level reports, DREAM doesn't search through the database summing individual transactions. Instead, it refers to a series of balance records that are updated every time a document is posted to the books.

And when you drill down from a trial balance using nominals-by-period or ledger list, DREAM is still working within the balance records. It's only when you drill down to details that it has to retrieve entries from individual transactions.

Simple examples

All the examples in this article are based on the books of Smiths Swimming Squad, for which I am treasurer. The number of entries is fairly low, however, as I have been using DREAM to maintain the books since 1993, there are some 140 periods established.

The examples assume the transactions we are about to post are the first entries in a new year and should be viewed in isolation—there's no attempt to show brought forward balances.

Firstly let's consider a January invoice from Eastbourne College for £800 pool hire plus VAT, a total of £940. The £800 pool hire is to be analysed by squad (junior, senior, etc.) and also by type of usage (gala, training, etc.), so it has two ledgers attached.

As you appreciate, a document has to be for a particular period (in this case 01) and the lines of the document have to sum to zero.

Nominal balances

Figure 1 shows in a spreadsheet format how the various balance records have been updated. For the moment, let's just concentrate on the nominal balances (highlighted in yellow). These are the balances used to generate the trial balance report. As you can see they balance to zero, reflecting the actual transaction.

If you were now to request a trial balance for periods 01 to 03, the system doesn't check the actual transactions, it merely sums the relevant nominal period balances and report the totals.

If you then drill down on creditors using nominals-by-period, you will be shown the individual period balances, which in this case are -940, zero, and zero.

Detail	Nominal	Ledger/ account	2nd ledger/ account		year to 31 December 01	02	...	12
Creditors	9420	PURCHASE		Trial bal	-940			
		COLLEGE		Ledger list	-940			
Input VAT	9462	VAT		Trial bal	140			
		200103		Ledger list	140			
Pool hire	2110	SQUAD	USAGE	Trial bal	800			
		SENIOR		Ledger list	600			
			GALA	AccRep	40			
			TRAINING	AccRep	560			
		JUNIOR		Ledger list	200			
			GALA	AccRep	20			
			TRAINING	AccRep	180			

Figure 1: Smiths Swimming Squad posts a January invoice from Eastbourne College for pool hire: services £800, VAT £140

Ledger account balance records

DREAM also maintains periodic balance records at the account level for purchase, VAT, analysis, and other ledgers.

In figure 1 you can see that the total amount of the invoice has been posted to the College purchase ledger balance record. Similarly, the VAT amount has been posted to the 200103 account balance record in the VAT ledger.

The pool hire has been split between two analysis accounts, £600 for the senior squad and £200 for the juniors. If you drill down from your trial balance on the £800 pool hire for periods 01 to 03, you will be shown the two account balances.

Second ledger account balances

You can attach a second ledger to a nominal for further analysis and can chose whether or not to maintain second ledger account balance records for that nominal. In this example we are maintaining balances.

In figure 1, as well as analysing pool hire on input by which squad had incurred the expense, we also analysed it by the type of usage (training, home gala, etc).

As you can see in figure 1, the second ledger balances are maintained internally in the format in which they were input, i.e. a matrix of 'nominal/account/second account' rather than 'nominal/second account'.

If you were to drill down from the trial balance on pool hire by squad, and then drill down by usage you will see usage by a particular squad. If you want to see usage over the complete nominal you need to run an account report.

There's more dr than cr balances

Yes, that's perfectly correct, when you look at all the various balance tables, there's now more debit balance records than credit.

But that doesn't matter, as it's only the nominal balance records

Detail	Nominal	Ledger/ account	2nd ledger/ account		year to 31 December 01	02	...	12
Creditors	9420	PURCHASE		Trial bal	-940	-94		
		COLLEGE		Ledger list	-940	-94		
Input VAT	9462	VAT		Trial bal	140	154		
		200103		Ledger list	140	154		
Pool hire	2110	SQUAD	USAGE	Trial bal	800	880		
		SENIOR		Ledger list	600	660		
			GALA	AccRep	40			
			POLO	AccRep		80		
			TRAINING	AccRep	560	580		
		JUNIOR		Ledger list	200	220		
			GALA	AccRep	20			
			TRAINING	AccRep	180	220		
Nat West current	9210			Trial bal		-940		

Figure 2: The various balance records after the February invoice and the cheque paying January have been posted.

that need to sum to zero for the trial balance.

The account balance records are expected to sum back to the 'host' nominal. So when you drill down from trial balance on a nominal with an attached ledger, it's the account balance records that provide the ledger list details.

Another example

Figure 2 shows the state of the balance records after two more transactions have been posted. The £940 cheque paying the January invoice was raised in February so it's the February balance records that are updated. In the meantime, a February pool hire invoice for £1,034 has been posted.

The net result is that the bank balance record is credited with £940 whilst the College account and the creditors nominal balance records are credited with £94 (£940 debit plus £1,034 credit).

Some of the £660 senior pool hire was for water polo, so the polo second ledger balance has been debited with £80, and £580 debited to training record.

The six balance tables

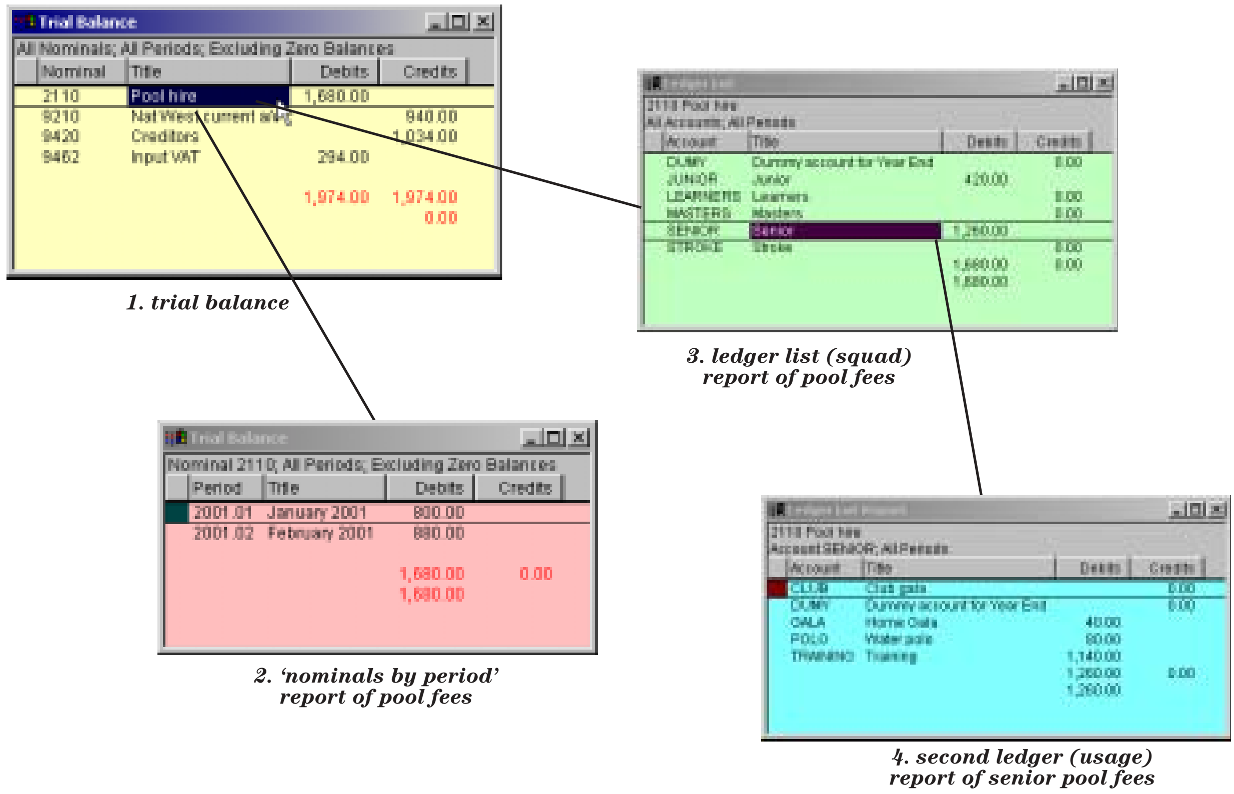
In addition to the three balance tables holding balances by period for nominals, accounts and second accounts, there's another three balance tables that hold just the current balance (see the list below).

The reason for the three additional tables is that typical reports are based either on a range of fairly recent periods or on the current balance. If, like Smiths Swimming Squad, you have 140 periods in the books, getting the

The six DREAM balance tables

Records the balance of	Table	Contents
Nominal	M_NBal	Current balance
	M_NPBal	Balance by periods
Nominal / account	M_ABal	Current balance
	M_APBal	Balance by period
Nominal / account / second account	M_L3Bal	Current balance
	M_L3PBal	Balance by period

Drilling through balance records



1. trial balance

3. ledger list (squad) report of pool fees

2. 'nominals by period' report of pool fees

4. second ledger (usage) report of senior pool fees

current balance would involve summing 140 records for each nominal. So instead, DREAM looks in the current balance table when no range of periods is specified.

Drilling through balance records

The screen shots above now show how you can navigate through the balance records.

1. Trial balance accesses the chosen nominals, sums the nominal balance records for the chosen periods and reports the totals.
2. If you then drill down on pool fees, selecting 'nominals by period', you are shown the individual period balance records for that nominal (and from there can drill down to the detail transactions).
3. Alternatively, if you drill down on pool fees using 'ledger list' you are shown the balances of the ledger accounts (if you only want to see accounts that form part of the balance, hold down 'ctrl' and 'shift' before double clicking, and change 'exclude' from 'none' to 'zero balances').
4. If you then double-click on an account you can drill down to see the breakdown by second ledger account.

Second ledger analysis without breakdown by first

As already mentioned, second ledger is intended to be an additional analysis of the nominal, rather than a sub-analysis of first ledger.

You can't however, drill directly from nominal to second ledger accounts. This is partly because maintenance of balance records for second ledgers isn't mandatory. If you need an analysis of the nominal by second ledger you need to run an account report.

Audit check on balance records

One of the prime purposes of audit is to check the integrity of balance records. The balance records are 'derived data', and it is possible they could get out-of-step with the actual transactions. Having said that, I have never seen this happen, other than as a result of making structural changes to the chart of accounts, or reloading an exported database.

In these cases, you are warned to run audit after the operation. It would be wise to perform an audit run on a regular basis, and before producing management accounts.

The next article in this series will describe how balance records are used during year-end processing.

Tim Cullis

Balance records and year-end

by Tim Cullis, INFAR

Detail	Nominal	Account	2nd ledger	year to 31 Dec 2001 00	01	02	....	11	12	Total
Trading accounts										
Training income	1110	MASTER						-180	-170	-1860
	1115	SENIOR			-540	-520		-580	-520	-7220
	1120	JUNIOR			-180	-200		-240	-220	-2870
	1125	LEARNER						-180	-160	-1870
Membership	1210				-1250	-850		-20	-10	-2800
Pool hire	2110	MASTER	TRAINING					200	180	2060
	2115	SENIOR	CHAMPS						60	240
	2116	SENIOR	GALA			80		80		320
	2117	SENIOR	TRAINING		600	580		640	580	7640
	2120	JUNIOR	CHAMPS						40	160
	2121	JUNIOR	TRAINING		200	220		260	240	3140
	2125	LEARNER	TRAINING					200	180	2060
Promotion	3210								40	160
Trophies	4130							60		60
									(profit)/loss	-780
Balance sheet										
NatWest current	9210			2040	1680	630		-320	-260	3790
Creditors	9420	COLLEGE			-940	-94		-80	-60	-1220
	9421	HERALD		-40	40				-40	-40
	9422	TROPHY		-250	250			-60	60	0
Reserves	9640			-1750						-1750
										780

Figure 1: A simplistic view of a trial balance of periods 00 to 12

THE MOST IMPORTANT decision to take when running year-end (covered elsewhere in this issue) is the method of processing balance records. So let's take a look at the what's involved, again using Smiths Swimming Squad as the example environment.

If we had been manually analysing transactions by period during the year, we might have come up something like **figure 1**, where all of the lines participates in the trial balance.

But as you saw in the previous article, we are analysing income and expenditure using first and second ledgers, so balances are held at up to three levels—nominal, account and second account level.

Figure 2 is the reality of how the analysis in figure 1 would be held. The highlighted lines show the nominal balances that are accessed when you run a trial balance. On these lines, period 00 holds the brought forward balances from last year's balance sheet, whilst the total of trading nominals for periods 00 to 12 shows a surplus for the year of £780.

Year-end step 1

The first step of year-end transfers the balances of trading nominals (1000 to 4999 in figure 2) to the accumulated reserves (9640) on the balance sheet. You have the choice of running year-end at:

- nominal
- account, or
- second ledger levels.

For those nominals that don't have an attached ledger (e.g. 1210), the level you choose is immaterial.

Where nominals have an attached ledger (e.g. 1110) and you chose to process year-end at the account level, an entry is posted to each account. If, however, you chose to post at the nominal level, only one entry will be made. To keep the integrity of the account balances, the entry is posted to an account called 'DUMY'.

A similar logic is used if the nominal has a second ledger attached for which balances are being maintained (e.g. 2110).

Detail	Nominal	Account	2nd ledger	year to 31 Dec 2001 00	01	02	....	11	12	Total
Trading accounts										
Training income	1110			0	-720	-720		-1180	-1070	-13820
	1110	MASTER						-180	-170	-1860
	1110	SENIOR			-540	-520		-580	-520	-7220
	1110	JUNIOR			-180	-200		-240	-220	-2870
	1110	LEARNER						-180	-160	-1870
Membership	1210				-1250	-850		-20	-10	-2800
Pool hire	2110			0	800	880	0	1380	1280	15620
	2110	MASTER		0	0	0	0	200	180	2060
	2110	MASTER	TRAINING					200	180	2060
	2110	SENIOR		0	600	660	0	720	640	8200
	2110	SENIOR	CHAMPS						60	240
	2110	SENIOR	GALA			80		80		320
	2110	SENIOR	TRAINING		600	580		640	580	7640
	2110	JUNIOR		0	200	220	0	260	280	3300
	2110	JUNIOR	CHAMPS						40	160
	2110	JUNIOR	TRAINING		200	220		260	240	3140
	2110	LEARNER		0	0	0	0	200	180	2060
	2110	LEARNER	TRAINING					200	180	2060
Promotion	3210								40	160
Trophies	4130							60		60
									(profit)/loss	-780
Balance sheet										
NatWest current	9210			2040	1680	630		-320	-260	3790
Creditors	9420			-290	-650	-94		-140	-40	-1260
	9420	COLLEGE			-940	-94		-80	-60	-1220
	9420	HERALD		-40	40				-40	-40
	9420	TROPHY		-250	250			-60	60	0
Reserves	9640			-1750						-1750
										780

Figure 2: The reality of the period balance records

So let's take a look in **figure 3** at the impact on the trading nominal period balances when year-end part 1 is run at the different levels.

The first example in the pink column shows the balance changes made when year-end step 1 is run at **nominal** level. Only one entry is made for each nominal. If the nominal has an attached ledger (e.g. 1110), the entry is posted to the 'DUMY' account. If the nominal also has a second ledger with maintained balances (e.g. 2110), the entry is also coded to a 'DUMY' account in the second ledger.

The second example in the green column shows the transfers made when year-end step 1 is run at **account** level. One entry is made for each account for each nominal—note the difference for nominal 1110 compared to the previous method.

If the nominal doesn't have an attached ledger the transfer is made at nominal level. If the nominal also has an attached second ledger with maintained balances (e.g. 2110), the transfer for each account is made to the 'DUMY' second ledger account.

The third example in the lilac column shows the transfers made when year-end step 1 is run at **second-ledger** level.

An entry is made for each combination of account and second ledger account for each nominal. If the nominal has an attached ledger but not a second ledger with maintained balances, processing is carried out at account-level.

You can see that this level of processing generates the most transfers. It also avoids the use of 'DUMY' accounts.

You would use nominal-level processing against nominals with attached accounts, if they analyse income or expenditure on a timescale that doesn't coincide with the financial year-end—for example P11D expenses.

Don't worry if there's not one single year-end processing method that suits all your nominals. As you will see later, you can mix the three methods.

Tim Cullis

Detail	Nominal	Account	2nd ledger	Periods 00-12	Nominal 98	Nominal Total	Account 98	Account Total	2nd Ledger 98	2nd Ledger Total
Trading accounts										
Training income	1110			-13820	13820	0	13820	0	13820	0
	1110	DUMY			13820	13820				
	1110	MASTER		-1860		-1860	1860	0	1860	0
	1110	SENIOR		-7220		-7220	7220	0	7220	0
	1110	JUNIOR		-2870		-2870	2870	0	2870	0
	1110	LEARNER		-1870		-1870	1870	0	1870	0
Membership	1210			-2800	2800	0	2800	0	2800	0
Pool hire	2110			15620	-15620	0	-15620	0	-15620	0
	2110	DUMY			-15620	-15620				
	2110	DUMY	DUMY		-15620	-15620				
	2110	MASTER		2060		2060	-2060	0	-2060	0
	2110	MASTER	DUMY				-2060	-2060		
	2110	MASTER	TRAINING	2060		2060		2060	-2060	0
	2110	SENIOR		8200		8200	-8200	0	-8200	0
	2110	SENIOR	DUMY				-8200	-8200		
	2110	SENIOR	CHAMPS	240		240		240	-240	0
	2110	SENIOR	GALA	320		320		320	-320	0
	2110	SENIOR	TRAINING	7640		7640		7640	-7640	0
	2110	JUNIOR		3300		3300	-3300	0	-3300	0
	2110	JUNIOR	DUMY				-3300	-3300		
	2110	JUNIOR	CHAMPS	160		160		160	-160	0
	2110	JUNIOR	TRAINING	3140		3140		3140	-3140	0
	2110	LEARNER		2060		2060	-2060	0	-2060	0
	2110	LEARNER	DUMY				-2060	-2060		
	2110	LEARNER	TRAINING	2060		2060		2060	-2060	0
Promotion	3210			160	-160	0	-160	0	-160	0
Trophies	4130			60	-60	0	-60	0	-60	0
			(profit)/loss	-780		0		0		0
Balance sheet										
NatWest current	9210			3790		3790		3790		3790
Creditors	9420			-1260		-1260		-1260		-1260
	9420	COLLEGE		-1220		-1220		-1220		-1220
	9420	HERALD		-40		-40		-40		-40
	9420	TROPHY		0		0		0		0
Reserves	9640			-1750	-780	-2530	-780	-2530	-780	-2530
				780		0		0		0

Figure 3: Transfers and resulting balances after three different year-end processes

Making International Payments in the EU

Do you know your IBAN?

by Philip K Taylor, SquareSum

RECENTLY, A COLLEAGUE mentioned that he had been asked about support for the IBAN and asked if I knew anything about it. My answer was *"No."*

A little research told me that IBAN stands for **International Bank Account Number** and I asked our bank. They had never heard of it and asked their International Division. They gave us a little information but seemed to think it is all a big secret.

So what is it?

From 1st January 2002 you can, or should be able to, use the IBAN of a supplier to make payments to EU countries at low cost. The idea is that it will be as cheap to pay money into an account in another EU country as it is to pay by BACS inside the UK. Your supplier will print his IBAN on all his invoices starting with the letters IBAN and splitting the data into four character blocks.

The colleague who first mentioned IBAN to me says that the banks don't seem to have told many people about it. He suggests that this is because you only get the low cost payment system if you quote the IBAN. If you continue using the old method you continue to pay the old, high, bank fees.

Where did it come from?

The start of all this is back in 1997 when the EU issued Directive 97/5/EC dealing with cross-border credit transfers. The directive sets out rules for transfers within the EU with a value of up to Euro50,000 and was to be included in the laws of all member countries by 14th August 1999. The text of this directive is at http://europa.eu.int/eur-lex/en/lif/dat/1997/en_397L0005.html

On the 4th February 2000, the EU issued a further document **Commission urges banks to improve cross-frontier payment systems** in which it *"urges banks to commit themselves to implementing no later than 1 January 2002 existing standards developed by the European Committee for Banking Standards (ECBS) to speed the routing of cross-border payment orders directly and automatically from one bank to another. The standards on International Bank Account Numbers (IBAN) and International Payment Instructions (IPI) are particularly important."*

On the 10th November 2000 the EU followed this up with **Payment systems: Commission pledges to use full powers to create a Single Payment Area**. In this paper they say, *"This will require the speedy implementation of electronic messages (SWIFT), the use of International Bank Account Numbers (IBAN) and of a single payment instruction. Bank customers need to use these elements once they have been introduced in order to benefit from cheap and speedy straight through processing of cross-borders payments."*

The references for these two documents are http://europa.eu.int/comm/internal_market/en/finances/payment/2k-108.htm and http://europa.eu.int/comm/internal_market/en/finances/payment/news/2k-1283.htm

A six-page document from the European Savings Banks Group setting out their attitude to the EU documents can be found at http://europa.eu.int/comm/internal_market/en/finances/payment/news/epargne.pdf

But what about the IBAN?

In 1997, an international standard had been published for bank account recognition, the IBAN standard, ISO 13616. It is this standard, extended by the ECBS, that forms the IBAN now being introduced in Europe to meet the EU requirement.

ECBS

The European Committee for Banking Standards, ECBS, developed and issued the extended IBAN as a way of overcoming the problems banks have with cross border payments. They point out that the main problem for low value payments is that the organisations making the payment—and often the bank branches—are not used to formatting the foreign bank names, branch details and account numbers. This leads to extra costs to the banks in sorting out the real destination address.

The IBAN was developed as a single, simple, format that can be used by the banks' systems to route money to any bank account in the EU. The extensions to the ISO definition developed by the ECBS allow for the upper case alpha used by some countries and the fixed format for each country.

Information about the ECBS and its systems can be found at www.ecbs.org with information about the IBAN at http://www.ecbs.org/iban.htm. A leaflet publicising the IBAN can be found at http://www.ecbs.org/Download/LFL9204V3.pdf. If you obtain a leaflet from your own bank it will probably be this document slightly changed to include an example of one of your own bank's IBANs.

The format of the IBAN

The International Bank Account Number is an alphanumeric code that starts with a country code, followed by two check digits, an optional alpha bank ID (only used by Ireland, Netherlands and the UK at present) and then the bank branch and account number. The maximum length allowed is 34 characters.

Currently the shortest IBAN in the EU is 15 characters, from Norway, the longest is 28, from Poland. All the IBANs from one country are the same length and the same format.

If you receive invoices from other European countries you should have started to see your supplier's IBAN printed on each invoice. The rule for printing is that the number is broken into four character groups, rather like the number on a credit card. For example an invoice from a German supplier may show something like

IBAN DE89 3704 0044 0532 0130 00

While an invoice from a Dutch supplier shows

IBAN NL39 RABO 0300 0652 64

If you have a UK supplier who uses the same stationery for home and export invoices you might see something like

IBAN GB29 NWBK 6016 1331 9268 19

The UK format

The UK example shows clearly how the IBAN is made up of things we can recognise

GB	country code
29	check digits for the entire 'number' (including the alpha)
NWBK	4-character Bank ID
601613	6-digit BACS sort code
31926819	8-digit bank account number

The electronic format

When including the IBAN in a payment message the letters IBAN and the spaces between the four character blocks are dropped. For example, printed format

IBAN GB29 NWBK 6016 1331 9268 19

becomes file format

GB29NWBK60161331926819

Getting your IBAN

According to the ECBS, the UK banks began issuing IBANs to customers who receive payments from EU countries earlier this year, and should have completed issuing them by now. You should already be showing it on your sales invoices so that your EU customers can use it to pay you.

If you don't have one yet, you should ask your bank. To get some idea of what your bank should have been telling you in the last few months look at the five-page letter from the Banking Federation of the European Union at http://www.fbe.be/pdf/iban.pdf. What they should have done includes

- IBAN available to all customers on demand,
- best practice is to include IBAN and BIC on statements and cheques,
- all customers to be informed of existence, usage and usefulness of IBAN+BIC by 30 Sept 2001,
- coupled usage of IBAN+BIC,
- wide promotion to bank staff, accountants, software suppliers, and
- general advertising to ensure wide use.

IBAN and BIC

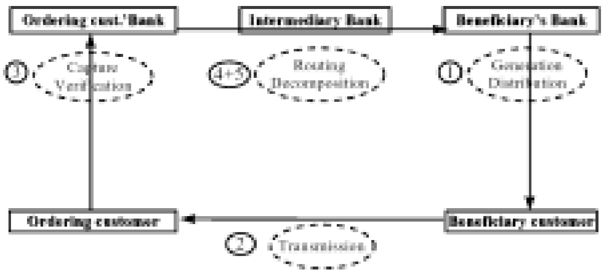
The various IBAN documents talk of the IBAN being the full identifier for a bank account in the EU. However the automated payment systems based on SWIFT rely on the 'Bank Identifier Codes' (BIC) so that you may well be required to present both IBAN and BIC in your payment message.

The Banking Federation document referred to above firmly promotes the use of both and talks of IBAN+BIC.

You can get further information about the SWIFT service and BIC at http://www swift.com and in particular at http://www.bicdirectory.swift.com.

The BIC is an 8- or 11-character alphanumeric code, the first 4-characters of UK BICs are the 4-character bank names included in the IBAN.

Obviously there is some duplication here. Within the UK the sort code uniquely identifies the bank and branch, but you need to look up the whole 6-digit number to identify it. In the last 40 years, since sort codes were introduced, mergers and changes in banks



IBAN routing

have made the numbering system complicated and illogical.

The addition of the four alpha characters allows the bank to be identified immediately with the six digits identifying the branch. The BIC starts with the same four characters, again uniquely identifying the bank and then identifies the branch again.

This duplication is required, at least initially, to enable old BIC-based systems to work with new IBAN-based systems.

Action for UK Software Developers

If your bank told you about the IBAN some time ago, you will already be prepared to meet demands from your customers. If they did not, you need to work out your answers and be ready for your customers asking for advice and support. The following lists some of the things you need to think about.

- **IBAN on export sales invoices**—you should be able to print the IBAN, and the BIC in the approved format on any export sales invoices your software produces. Indeed you should also, in my opinion, recommend printing them on UK invoices as well.
- **IBAN on supplier details**—you should be able to hold the IBAN and BIC on your Supplier Master file even if you don't support foreign payments.
- **Foreign payments**—if you do support foreign payments, probably using the SWIFT message format, you should be able to make up the SWIFT destination address from the IBAN and BIC data rather than requiring some other field to be completed.
- Validate the IBAN—you should be able to validate the IBAN for both format and check digits.

IBAN in the UK

Currently very few systems go to the expense of validating the bank sort code and account numbers entered for BACS payments. If you encourage your users to obtain the IBAN for their UK suppliers you will be able to validate this data and improve the accuracy of payment instructions.

IBAN and DREAM

DREAM 2.12 fully supports payments by SWIFT and also supports holding the IBAN and BIC. Unfortunately we did not get information on the check digit validation in time to include it in the release and even now we don't have any information about banks' IBAN payment message formats.

Further support for the IBAN will be added in future releases. Any users who find out more about the use of the IBAN—anywhere in the world—should contact Support and pass the information on.

Philip Taylor

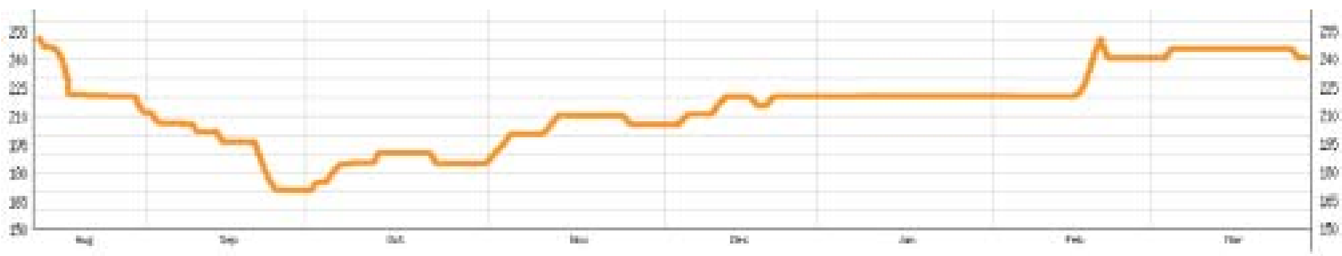
SquareSum plc on the OFEX off-exchange market

SQUARESUM PLC HAS been listed on OFEX, the off-exchange market since the beginning of 2000—in fact it was the first stock to list in the new millennium.

Speculation by day traders led to the stock price soaring away from the initial placing of £1.25, it settled for a while around the £4.00 mark, then declined with the falling technology sector to around £3.00.

Profits for the year to May 2001 were lower than might have been expected. This, coupled with two directors leaving and selling their shares, plus the effect of the WTC bombing, led to a low point of £1.70 at the beginning of October.

The half-yearly results published in December showed an increase in turnover of 26 per cent and a before-tax profit of more than £200,000. The stock has been slowly rising, and at the beginning of April was trading at a PER of 40. Results for the year to May 2002 are likely to be announced in June.



Running year-end in v2.12

When you are in the middle of implementing DREAM, the last thing you're going to take notice of is how to run year-end. And when you get to run year-end, it's another year until you do it again. So this article discusses the purpose of year-end, explains how it works, and explores the choices you need to make.

by Tim Cullis, INFAR

ONCE YOUR ANNUAL accounts have been completed, the balances on the trading nominals need to be cleared for next year, and the profit or loss transferred to the balance sheet. It is also good practice to close balance sheet nominals and reopen them in the new financial year. Year-end automates these two procedures and creates the appropriate entries in your books.

Can I still access the data?

The year-end procedure is actioned through a series of journal entries. It doesn't affect existing entries and your reports will continue to run as previously against those transactions.

Year-end is fully reversible, and you can run it more than once in a year. Many organisations run year-end before accounts are audited, in which case when they are finalised:

- you can run a second year-end which will transfer the balances relating to audit adjustments, or
- you can delete the initial year-end entries and then re-run.

What's involved?

Year-end doesn't have to read through all the entries in your books, instead it gathers the information it needs from the period balance tables as described in articles elsewhere in this issue. It is run as a two-step process—firstly transfer trading balances, then roll-forward the balance sheet.

Step 1 posts an entry to each of the trading nominals to bring the balance for the year back to zero, and posts the net difference (the profit or loss) to an 'accumulated profit and loss' nominal on the balance sheet.

Step 2 closes the balance sheet nominals in the old year by posting entries to bring the balance back to zero, then opens the balance sheet nominals in the new year by posting a set of reversing entries.

Checking your environment

Certain year-end master records are needed:

- year-end nominals,
- year-end document types, and
- year-end periods

You can create these at any time and the nominals and document types can be reused at each year-end. If you create a new year and its periods by copying a previous year that contains year-end periods, these will automatically be created for the new year.

Nominals—you need two balance sheet nominals to hold the opposing entries of the two steps of year-end. The first is accumulated profit and loss (or a P&L appropriation) nominal to which the net balance of trading nominals is transferred; the second is a suspense nominal that is used only for balance sheet close-down/reopen entries.

By default, year-end documents are limited to 1,000 lines, at which stage a balancing posting is made to the receiving nominal and another document started. Consequently there may be several entries made to this nominal.

Document types—you could use the ubiquitous 'journal' for the all the transfers, however to aid subsequent understanding of the entries, SquareSum recommends three special year-end document types, for example:

- Year-end part 1—clears down trading nominals to the balance sheet accumulated P&L,
- Balance sheet carried forward—creates the closing balance sheet entries for the year,
- Balance sheet brought forward—creates the opening

Year-end in brief...

- Can be run before accounts are finalised
- Is fully reversible
- Can be run more than once
- Normally run again after annual accounts are completed
- Step 1 transfers trading account balances
- Step 2 performs balance sheet roll forward
- Requires high-level access
- Run audit first

balance sheet entries in the following year.

Periods—the convention for normal year-ends is to create three special periods as follows:

- <oldyear>.**98** is the period in which trading nominal balances are transferred to the balance sheet,
- <oldyear>.**99** is the period in which balance sheet closing entries are posted,
- <newyear>.**00** is the period in which balance sheet opening entries are posted.

Deciding the processing level

The article elsewhere in this issue on balance records and year-end explains that you can run year-end at three different levels—nominal, account or second account.

You don't have to use the same level throughout; you can use a mix of levels within each step by choosing a range of nominals upon which to operate.

The processing level you choose determines whether entries are posted to individual accounts, consequently it also affects the users' views of those accounts. If you process the first part of year-end (transfer trading balances) at an account level against trading accounts with attached analysis ledgers, a period '98' closing-off entry will be posted to each account. Consequently:

- a ledger list report for periods 00 to 98 in that year, will display a balance of zero for each account, whilst
- a ledger list report from period 00 of the year being closed to a period in the following year will show just the following year balance.

If you transfer trading balances at the nominal level, year-end will not close off any individual accounts, so:

- a ledger list report from period 00 of the year being closed to a period in the following year will show the accumulated balance over all the periods.

You are likely to use this if your analysis ledgers are tracking projects that are not coterminous with your financial year-end.

Allocating balance sheet ledger entries

Processing year-end step 2 (roll-forward balance sheet) will post period 99 closing entries to each nominal (or account if run at that level), plus reverse opening entries in period 00 of the following year.

These entries can be allocated against each other on nominals and accounts that have an initial state of open. Allocation of year-end entries is important for purchase and sales ledger accounts to prevent year-end entries from appearing on statements and remittances. You can prevent lengthy manual allocations by:

- running roll-forward at nominal rather than nominal/account level, thus preventing the creation of account entries,
- ticking the 'allocate' check box on the year-end dialog to automatically allocate entries during year-end processing, or
- process without checking the allocate box, review the results, then run a nominal detail report, of periods 99 and 00, and use the automatic allocation feature.

Getting ready to run year-end

Before going any further, it's essential that you run audit to ensure the balance records are in order.

You also need to ensure all nominals with none zero balances have the input allowed flag set, otherwise year-end will be unable to post an entry. Similarly, if processing at account or second account level, you should ensure non-zero accounts have input allowed set. If you plan to process nominals/accounts with zero balances, they will also need to have input allowed set.

During year-end you need to have access to all the nominals, accounts and periods. Many users will log on as SQSDBA to perform this function.

During year-end processing you should tick the box that checks for 'missing' year-ends and if any are detected, stop immediately and investigate, as otherwise the year-end entries will be nonsensical.

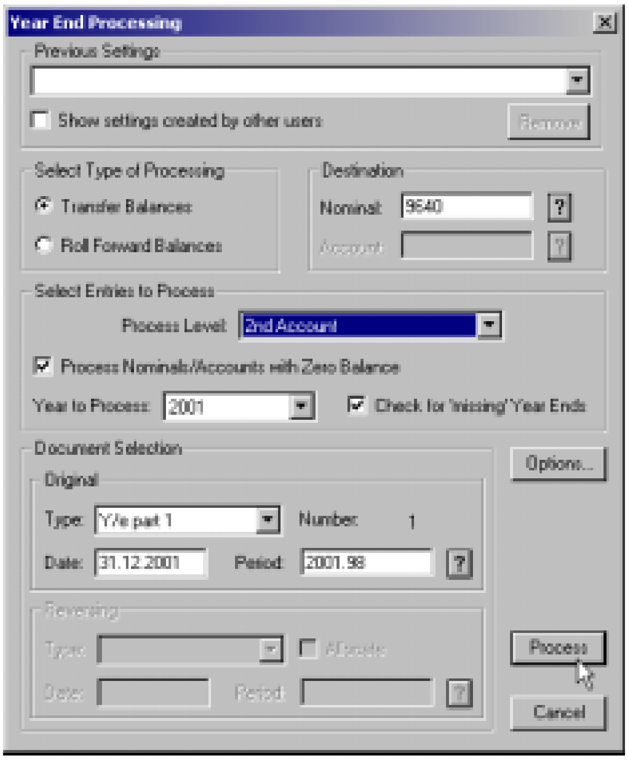


Figure 1: Year-end step 1

Step 1: Transfer trading nominals

Check whether whomever ran the last year-end saved the settings in 'previous settings'. **Figure 1** assumes this is not the case and shows 'transfer balances' as the type of processing, the accumulated P&L nominal as the destination, processing level of second account, and to process nominals/accounts with zero balances. You also need to select the year to process, which period the transfer will take place, the document type you are going to use, and your year-end date. The options button allows you to specify a range of nominals to be processed, allowing you to handle specific nominals at different levels.

Step 1 report and test

A report is produced showing the entries made. As with other DREAM standard reports, the dialog settings used to produce the report can be saved for subsequent use. This is particularly helpful for year-end, which will perhaps not be run again for twelve months. So right-click on the report and choose 'save report settings', with a name of 'Year-end step 1'.

You can test that year-end part 1 has completed successfully by running a trial balance for the relevant periods, in our case 2001.00 to 2001.98. The balance of all of the trading nominals should be zero as they have been transferred to balance sheet nominal '9640'. If you run a trial balance for all periods in the year earlier than period 98 you will see that these are exactly the same as before you ran the year-end process.

Step 2: Balance sheet roll forward

Figure 2 shows the settings selected for the second step of year-end. The type of processing is now 'roll forward balance sheet', the receiving nominal is the balance sheet suspense of 9999, and the processing will take place at account level.

The suspense nominal is required internally by DREAM. So long as year-end runs correctly, the transactions posted to the nominal will sum to zero.

You can see that two different document types have been selected for the roll forward, one to close down the nominal in period 2001.99 with a transaction date of 31.12.2001, the other to open the nominal afresh in period 2002.00 with a transaction date of 1.1.2002.

Step 2 report and test

As with part 1, it makes sense to save the settings for next year, so right-click on the resulting report and choose 'save report settings' as 'Year-end step 2'.

You can check that year-end part 2 has completed successfully by running a trial balance for relevant periods (in our case 2001.00 to 2001.99). All nominals should be zero. Running a trial balance for periods earlier than 98 or 99 will be exactly the same as they were before year-end was run.

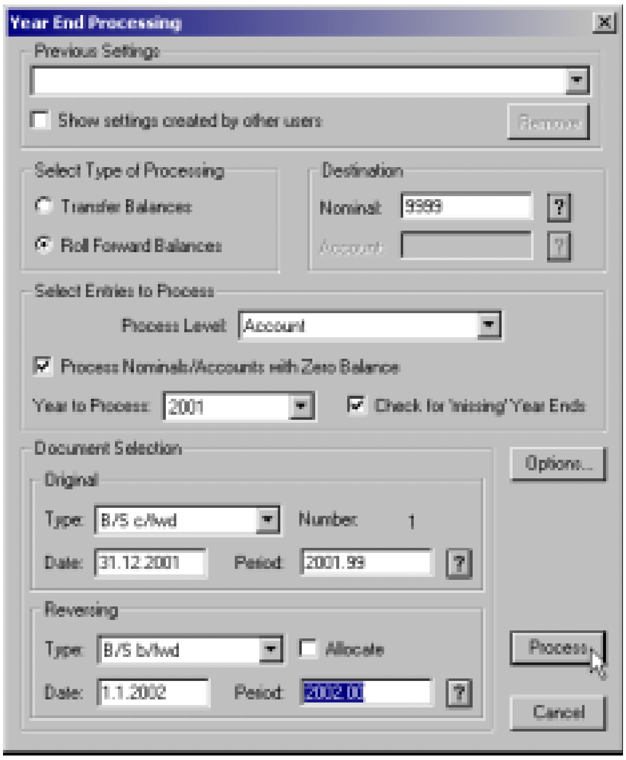


Figure 2: Year-end step 2

If you ran part 2 at account level you may wish at this stage to allocate ledger entries, especially your purchase and sales ledgers.

Secure the old financial year

Financial years are never permanently closed in DREAM and it is always possible for adjustments to be made to take account of late entries. You can prevent changes, however, by raising the year's access security to a higher level than the users you wish to deny.

You will probably have raised this already. Now that year-end has been run you should secure the old year by setting its access security to level 9. This will automatically raise all period access levels to 9.

The access level can be set to 9 before running year-end if required. You will still be able to run year-end providing you belong either to SQSDBA user group or another user group with level 9 access.

Re-running year-end

If the year-end entries have not been allocated it is easy to reverse them, just run a document report to include the transactions, then delete them. Further adjustments can be posted and the year-end can be rerun as many times as you wish.

If you have allocated any entries on the year-end transactions these will need to be unallocated before the year-end journals can be deleted.

Tim Cullis

SQUARESUM AD