



Preparing for the Euro challenge

Accounting software helps electronics manufacturing company manage global finance activities

Ask the average person how the euro has affected them, and they'll probably lament the dearth of technical ability and poor performance of nearly every England player bar Beckham. And as for that warm-up against Malta...

The issue currently at the hearts of most UK businesses, however, is more finance than football. For many, a decision either way on the introduction of a single currency by the Government could affect business practice dramatically. Not as exciting as beating Germany, granted - but potentially a great deal more dramatic.

Brother UK Ltd started to plan for the euro in early 1998. The company is part of the Brother Group, a global electronic manufacturing firm with a wide-ranging product portfolio from laser printers and fax machines to word processors and industrial sewing machines. Brother trades in over 100 countries which meant that the company already had to deal with a number of currencies including the dollar, yen and sterling. Integration of the euro, however, posed some very specific challenges, in terms of VAT returns and global reporting requirements.

A key issue Brother had to address was triangulation - the exchange process between non-member state currencies, such as sterling, and member state currencies, such as Lira, via the euro. With the introduction of the new currency, official exchange rates for any participating currencies within the monetary union would no longer be published. Instead there would be only one legal rate: that between the euro and each participating currency.

To exchange Francs for Sterling, for example, the Francs would firstly need to be converted into euros and the euro value in turn converted into Sterling. Foreign exchange alters from being a bilateral transaction to becoming a trilateral one. Since the value of the euro is fixed with each of the union members, conversion is a fairly simple mathematical computation.

The problem is that many accounting systems were never designed to handle this method. This means that any company dealing with a member state supplier or client, or even with some UK subsidiaries of European companies, will find itself having to trade in euros.

"With international offices and sales all over Europe, our accounting activities are complex and involve a number of currencies," said Frank Pipkin, director of finance and administration at Brother UK. "To manage all of these and handle triangulation manually for all of our transactions would be an accountant's nightmare."

The company also realised that it needed to plan for Y2K as its AS/400 based accounting system was not compliant, and the software was becoming cumbersome when dealing with foreign transactions. Furthermore, the company needed more storage capacity than the twelve months provided by the existing system to house its extensive archives.

Frank Pipkin headed up the project to replace the system and approached the Business and Accounting Software Developers' Association (BASDA) for advice.

Pipkin considered various packages, including Great Plains and Navision, but opted for Exchequer Software's Enterprise application on account of its multi-currency handling, comprehensive reporting facilities and drill-down function. The package was implemented in October 1998.

"In the current climate where the government is reluctant to commit to the euro, UK businesses are unsure of how to prepare themselves and their systems.

At Brother, we've saved ourselves the headache and have opted for Exchequer's Enterprise system which handles our day-to-day financial requirements, as well as our international reporting. And what's more, we have the added bonus of being fully prepared for euro trading, whatever the outcome of the current debate," commented Pipkin.

Brother Industries (UK) Ltd needed strong and speedy communication links with its Southern Irish subsidiary and installing Exchequer on both sites has enabled the company to institute sophisticated cost-saving routines with its group foreign payments. With this in mind, Pipkin looked to implement a common system in the two offices.

"The company as a whole benefits from having offices working on the same system, as we save time by accessing shared information. On average, we make a timesaving of 15-20% each day through streamlined reporting and centralised data capture," said Frank Pipkin.

Well over a year on from the introduction of the euro and the implementation of Enterprise, Brother UK has harnessed the benefits with minimal changes to its existing systems. In fact, the company is ahead of most in its attitude towards a single European currency and is completely prepared in the event that the UK government decides to opt for full integration with the European Monetary Union. Brother will be one team ready for the euro challenge.