



# *Keeping you informed*

## Accounting, Payroll and Company Secretarial

### **What is “Company Administration Services”?**

Our Company Administration Services department is made up of three distinct specialist groups:

- Accounting
- Payroll
- Company Secretarial

### **Introduction**

Welcome to this second edition of our CAS newsletter. In this issue we will draw your attention to recent Accounting matters which may come into play in the near future.

We will introduce you to XBRL and IFRS and give an overview of the possible impact just four letters can have on your business!

Following the release of our first edition, focusing on

Payroll, we were delighted to receive plenty of feedback, which is of great value to us. We hope you find this update on Accounting matters interesting but if it's not your particular area of interest, do feel free to pass it on to the right person in your organisation.

Our next newsletter will spotlight on Company Secretarial matters.

## ***So, what ACCOUNTING matters have been in the news recently?***

1 In August 2011 the Minister for Jobs, Enterprise and Innovation, Richard Bruton, announced that the audit exemption threshold for companies will increase to €8.83m, up from the previous level of €7.3m. The increased threshold will bring Ireland up to the EU recognised threshold, will result in fewer SMEs requiring an audit thereby reducing the need to hire external auditors and hence saving you time and money.

The increase in the audit exemption thresholds will mean companies with a turnover of less than €8.8million and a balance sheet of less than €4.4million will be exempt from the statutory requirement to engage independent external auditors to examine their accounts, if they have 50 or fewer employees. This represents a 20.5% increase from the current thresholds of €7.3 and €3.65million respectively. It is estimated that on an annual basis a minimum of 1000-2500 small and medium-sized businesses will benefit from this move.

The regulations have yet to be drafted therefore no implementation date has been set for the new thresholds to come into effect.

2 As of 4 October 2011 the Companies Registration Office (CRO) will no longer accept the old version of the Form B1 (annual return form). Therefore companies should ensure they are using the new B1 form when filing annual returns after this date.

## ***A little bit about XBRL***

eXtensible  
Business  
Reporting  
Language

***XBRL is a standardised “computer readable” language designed to enhance electronic communication and analysis of business information. It is a technology that will facilitate electronic financial statements and tax returns.***

It is an international standard adopted by several Government regulators, agencies and companies around the world, including the US Securities and Exchange Commission (“the SEC”) in the United States, Companies House and HMRC in the United Kingdom. These organisations currently require financial information, normally submitted manually, to be submitted using XBRL.

### ***XBRL and Irish registered companies***

Irish Revenue has confirmed that XBRL will be implemented in a two stage process commencing with a facility to receive accounts in XBRL format from June 2012. The Institute of Taxation explained that a tax computation capability will follow in time for 2013 corporate tax filing. The initial roll out of the XBRL programme will apply to companies that fall within the remit of Large Cases Division and will be on a voluntary basis initially.

A formal consultation process is expected to commence shortly in respect of the Irish Revenue’s plans.

### ***XBRL and UK registered companies***

All UK companies required to file a corporation tax return are now required to do so electronically using online XBRL (iXBRL) for the tax return, supporting tax computation, and related statutory financial statements. In short, this means that figures and text disclosed in these documents will need to be accompanied by an electronic “tag” embedded within human readable electronic versions of the documents. These requirements took effect from 1 April 2011.

### ***Benefits of XBRL for your business***

For companies who prepare financial statements, XBRL will enable a more efficient method for preparation of financial statements because they will be created one time and rendered many times, be it to the printer, on Web sites, as Edgar filings, or as other regulatory filings. However an investment of time will need to be made initially to set the process up for your companies.

## ***How will XBRL impact your business?***

XBRL reporting is a regulatory driven change which will require action by management to deliver financial information in a new format using XBRL tags as well as human readable form.

This means that different types of risks should be considered, including:

- The primary risk that a business may not take the actions necessary to continue to deliver tax returns acceptable to the Tax authorities
- Secondary risks arise connected with the quality of the application of the XBRL tags and the potential for the XBRL tagging process to identify errors in completed statutory financial statements.

# What is the latest on IFRS ?

## International Financial Reporting Standards

**IFRS is a set of international reporting rules and is the financial reporting framework developed by an organisation called the International Accounting Standards Board (IASB).**

The updates on IFRS can be very lengthy and technical in nature. Below we have highlighted the latest news and tried to keep the technical jargon to a minimum.

The strategy in relation to IFRS is to achieve a common global financial reporting framework (for use in the UK and Ireland) to prepare financial statements and disclose financial information. The ASB is working on a proposed move to an IFRS-based framework for all but the very smallest entities in the UK and Ireland.

The following companies were required to comply with IFRS;

- Since 1 January 2005 all listed companies
- From 1 January 2007 all Alternative Investment Market (“AIM”) listed companies

The focus recently has been on developing a financial reporting system for small and medium companies

Instead of setting rules for industry-specific reporting, IFRS provides general guidance for preparing financial statements. This will be of benefit to larger companies as they will use one single set of accounting standards adopted worldwide. In addition if its worldwide subsidiaries use the same reporting language this should simplify accounting processes and procedures.

### **IASB proposals**

The IASB proposes a 3-tier system of financial reporting, with UK and Irish companies reporting under either full IFRS or for medium sized companies (FRSME) or small companies (FRSSE).

A company’s reporting requirements will no longer be based on its size but rather whether it is ‘publicly accountable’.

The 3 proposed tiers are:

Tier 1	Tier 2	Tier 3
EU-adopted IFRS for publicly accountable entities	FRSME for entities that are not publicly accountable	FRSSE for small entities

The proposed effective date for IFRS is financial years beginning on or after 1 July 2013. The ASB has agreed a minimum transition time of 18 months from the publication of a new standard to the effective date.

IFRS can have a big impact not only on the reporting of financial information but also have business implications for your company for example acquisition or disposal strategies.

### **Financial Reporting Standards for Medium (FRSME) and Small Companies (FRSSE)**

The use of FRSME and FRSSE is limited to medium and small companies as defined in Companies Act 1986.

Since 2005, SMEs in Ireland had an option, under Irish company law, to prepare financial statements in line with IFRS or local Irish accounting regulations. However they are required, at a minimum, to prepare statements that comply with FRSME or FRSSE.

Both are internationally recognised financial reporting frameworks. They do not deal with some of the more complex areas of full IFRS, which are not relevant to smaller businesses, and they simplify some of the accounting requirements of the IFRS. They allow for significantly reduced levels of disclosure. From the perspective of small businesses, IFRS is a complex and detailed financial reporting framework, running to about 3,000 pages.

For SMEs, the more simplified FRSME is, therefore, an attractive alternative to full IFRS. Preparing FRSME financial statements should not be as onerous or time-consuming as preparing full IFRS financial statements.

For most small businesses in Ireland, the future of financial reporting looks likely to be the FRSME, but adequate planning will be critical to the successful implementation of the FRSME by 2014.

## **How will IFRS impact your business?**

Converting to IFRS could have an impact on a number of different processing and reporting areas of your business including:

- Financial statement format and presentation
- Variance in accounting disclosures – revenue recognition, intangible assets, related party disclosures
- If the new requirements become effective for calendar year 2013, in line with the tentative ASB proposals, comparatives for the year ending 31 December 2013 with an opening balance sheet as at 1 January 2013 will be required. Accordingly, management and accounting teams may wish to start considering explore the impact IFRS for SMEs will have on business and results over the coming year
- Removal of the cashflow and related party exemptions
- Impact on accounting for deferred tax
- It may also require greater disclosures which are more commercially sensitive

### **How can PwC help you with these challenges?**

Early planning will be critical to a smooth transition for both IFRS and XBRL. Management teams need to take time now to understand the potential financial reporting and wider business impact of these impending changes on their business.

We can assist you in ensuring you meet the new reporting requirements by providing any of the following support services:

- We can provide you with a transition IFRS project management tool
- We can help with preparation of the financial statements
- Our team can work with you on site through interim secondment arrangement
- We have already developed and successfully piloted XBRL e-filing solutions for the submission of tax calculations to HMRC
- We can provide training workshops tailored to your particular needs

## **Contact the accounting team**

Caroline would be delighted to talk with you regarding the matters raised in this bulletin and the services her team can provide to assist you.



### **Caroline Brady**

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Caroline has managed the accounting team since January 2008. She is an Associate of the Institute of Chartered Accountants and Institute of Taxation. Caroline oversees the day to day running of the accounting team providing management accounting and annual statutory financial statement services. Caroline liaises with the audit department on technical accounting issues that filter through when preparing Irish GAAP and IFRS statutory financial statements.

## Other company admin services

### Company Secretarial Compliance

A major consideration for Irish companies in today's corporate climate is the need to comply with Company Law and to certify that an adequate level of corporate governance is being applied to ongoing compliance activities. Corporate compliance is a complex legal requirement for all Irish registered companies.

From incorporation to ongoing administration through to termination of a company, reporting and statutory compliance obligations, we are here to help you in meeting both internal deadlines and local country legal requirements. We have significant experience in advising a range of clients on developing optimal to suit structures for individual client requirements.

What are the benefits for you?

- Comfort that the company's registers are being maintained correctly
- Frees up Company Secretary's time to focus on more value-adding business priorities
- Unnecessary compliance obligations are identified and removed
- No surprise communications from the Companies Registration Office or Office of Director of Corporate Enforcement
- Access to our experienced Chartered Secretaries and other specialists
- Direct access to Company Statutory Registers (optional)

Within the company secretarial team we also provide administration services to Employee Share Schemes in addition to acting as joint trustees to Employee Share Schemes.

### Contact the company secretarial team

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### Payroll services

The client payroll team have been providing payroll processing and consulting services for many years. Under the guidance of partner, James McNally, the team works with a wide variety of businesses both indigenous and multinational. Client requirements range from outsourcing part (such as executive payroll) or all of the payroll process to engaging contingency planning support where the function remains internal.

A key benefit of outsourcing all or part of the payroll function is the freeing up of key HR or Finance personnel time, allowing them to focus on important company business whilst remaining confident that this critical element of their responsibilities is being taken care of to the highest standards.

Other benefits include:

- a dedicated team of payroll specialists who pride themselves in ensuring that your payroll is processed on time every time with the highest levels of accuracy and efficiency
- zero concern about software selection and maintenance, team tax technical skills or payroll process management and the associated risks and costs
- access to a wide range of personal tax specialists who can help with issues such as taxes registration, redundancy/terminations, compliance queries and expatriate taxation.

### Contacting the payroll services team

Whether you have an internal or outsourced payroll function, Angela and Seymour will be delighted to chat with you about any of your payroll related concerns. We would be happy to meet with you at any time to discuss the range and reach of our services whether process or consultative.

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