



The Benefits of Using Software For Group Consolidation

A Caseware eBook

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Overview

Since the announcement that the UK was to leave the EU back in 2016, we have seen a significant uplift in mergers and acquisitions involving UK companies.

As more firms from overseas set up their UK subsidiaries, the number of businesses becoming part of a group structure is increasing, which in turn means more corporate accountants are required to become involved in group consolidation.

Consolidation is one of the more complex and technically difficult tasks carried out by accountants and there is a lot of potential for things to go wrong.

In many cases, reporting is where the system breaks down — sometimes because companies have difficulty getting numbers out of their various systems and sometimes due to time pressures.

The process could, however, be a lot simpler. The fact is that many companies are not using the most appropriate software for the job.



The consolidation challenge

Whether you are a company subject to full IFRS, or a smaller group reporting in FRS 102, the challenges are similar when it comes to consolidation.

Typically, you'll have a number of different sets of accounts being completed at the same time, with liaison between the various entities often taking place via email.

You may even have many small limited companies reporting individual accounts, which are then clustered into sub-groups before being incorporated into the group accounts. You then have to consolidate them all into one report, usually in a short space of time.

Many companies are using Microsoft Excel to do accounts at the individual company level, so end up using Excel to carry out their group consolidation as a result.

Excel is not an effective or reliable tool for complex financial reporting and therefore its use for this purpose is increasingly coming into question. Finance teams should reduce their reliance on the program and find a more trustworthy software solution.

The problem of consolidating with current tools

Excel wasn't designed to be a reporting tool

It is susceptible to human error and the consequences of keystroke errors or transposition errors can be disastrous.

One wrong digit, decimal point or minus sign that isn't detected can have huge ramifications. A change at the lowest level of the group that isn't followed through to the highest level could mean your group accounts are inaccurate.

You could be fined, face tax penalties and even lose the confidence of your investors. In a number of high-profile cases, company chiefs have lost their jobs and share prices have plummeted due to spreadsheet errors.

According to a white paper by financial modelling firm F1F9, it's reported that 90% of spreadsheets contain errors with approximately 50% of those having material defects. Although many see Excel as a simple reporting tool, the freedom however, poses serious risks particularly for those large, complex spreadsheets.¹

Even putting the worst-case scenarios aside, using spreadsheets is not the most efficient way to carry out high-level reporting — checking and rechecking many sets of accounts is time-consuming and costly if mistakes are made, not to mention the damage to reputation and potential job losses.





The solution

Unlike Excel, Caseware's accounting solutions were designed from the ground up to be a reporting tool. It sits above your general ledger system and brings all of your numbers together in one system, providing a solution to the reporting challenges encountered by many corporate firms.

Caseware can import data directly from many general ledger systems or from either an Excel or a text file, and then interprets that raw data file.

Even if charts of accounts vary across a group — perhaps one part of your group is using Sage, while another is using PeopleSoft

— Caseware can tie all the numbers together, something that can otherwise be difficult when one source program uses a different nominal code for a particular line item to another program.

Through a simple mapping process Caseware ensures a straight line for your numbers from your general ledger system, through the mapping system, to the face of your accounts.



The complete package

Caseware provides a template that allows you to easily produce a complete set of accounts to file with Companies House.

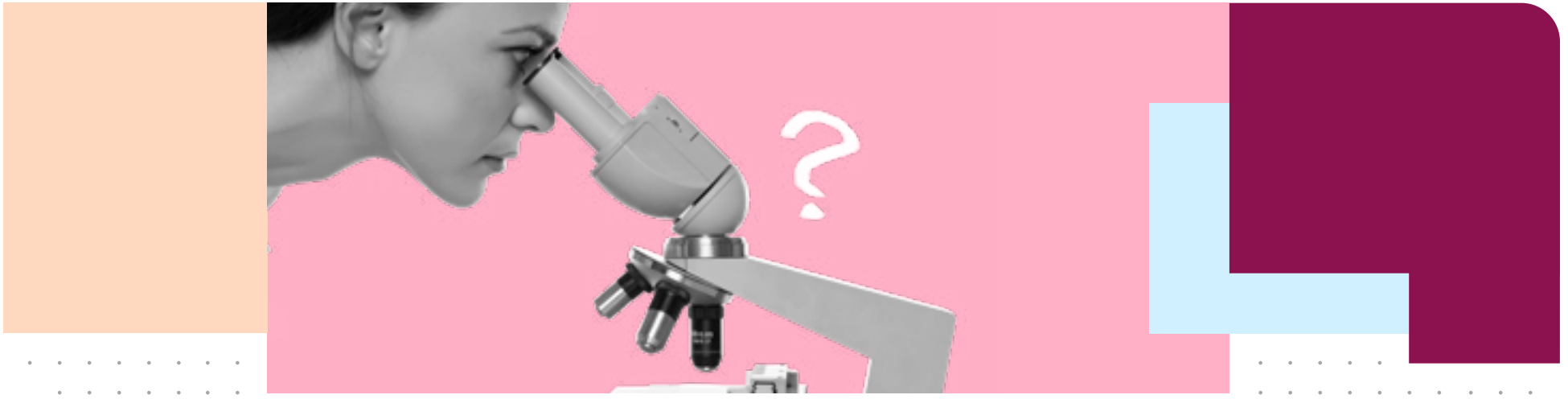
The program contains everything needed to comply with the latest reporting requirements, from simple FRS105 accounts up to full IFRS. Utilised by many of the UK's top 100 audit firms, Caseware generates all of the standard content required and gives users the ability to customise reports to meet your individual reporting needs.

The solution automates as much of the process as possible, while also leaving room for you to adapt the document to suit your own requirements. It automates any required disclosures, but also allows you to add your own custom disclosures.

Keeping up with shifting regulations and legislations across multiple entities can be a burden, but Caseware is automatically updated to account for any changes in accounting standards.

Once you've reported for the relevant period, you can forget about your consolidated accounts until the next period, when the program will inform you of any new accounting policies and, crucially, give you the option of adopting them now or later.

This is important because although some changes may well be mandatory, companies often have the choice to adopt earlier than required if it suits their circumstances.



Key features

Caseware makes it simple to carry out many of the more complicated tasks involved in group consolidation.

It brings together journal handling, lead schedules and the financial report itself.

It allows users to make changes in one entity and have them automatically flow through to the group level, eliminating the need to make the same change in multiple places and constant review cycles.

Caseware has been designed to adapt to the needs of diverse companies with a range of operations. It can account for subsidiaries with different accounting periods and it can also account for companies that are not wholly owned or that are joint ventures. It also simplifies intra-group transactions reconciliation.



Making changes easy

Caseware doesn't just help you get all the information in the right place, it also helps you easily make changes once you have the big picture.

If, after reviewing the report, the finance director decides they need to elaborate on a point and adds three more sentences, a note and a table, the document will seamlessly integrate that information. There's no need for the laborious renumbering of notes or pages you'd often end up carrying out in Microsoft Word.

Posting eliminating journal entries is simple and immediately reflected in the financial statements. All journals are recorded on a schedule of journal entries by type and this can easily be output to Excel if required.

Put simply, Caseware was designed to produce financial statements so it was designed to make updating them simple.

Conclusion

The benefits of Caseware are twofold: it not only ensures your compliance with reporting requirements, it also significantly improves your efficiency.

While nothing can ever completely eliminate human error, Caseware contains many validations to eliminate the risk of misstatements.

Caseware is used by a wide range of companies both in the UK and worldwide. Our customers include many major brands from technology to food, oil and gas firms to entertainment conglomerates.

We also help smaller groups such as hotel chains and care home groups and we have clients in almost every sector of business.

Whatever business you're in, if you need to produce consolidated accounts, Caseware can help you do so quickly, seamlessly and crucially, in full compliance with your reporting framework.

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