

TECHNICAL BULLETIN FROM GLOBAL BUSINESS SYSTEMS

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European Monetary Union

Over the next few years European Monetary Union (EMU) is almost certain to happen for at least some of the 11 countries in the ERM and possibly others like the UK. In our marketplace this is likely to cause far more problems and require more software changes than the much talked about year 2000 problem which has mainly affected sites with large bespoke mainframe systems.

BACKGROUND

On 1 January 1999 it is expected that a number of European currencies will join together to use a single currency, the Euro. Initially this will simply mean a fixed exchange rate between these currencies. Later, around 1 January 2002, new Euro coins and banknotes will be introduced and the old local currency notes and coins will be withdrawn (probably over a period of a few days or weeks). However, from 1 January 1999 the Euro can be used for trading, and the old currencies can be regarded as simply rather inconvenient multiples of one single currency, eg the French Franc is really a 0.171362 Euro coin.

Even if the UK does not join initially it may later, and in any case the existence of the Euro will affect anyone trading in Europe. The Euro is likely to be favoured for payments between companies in different European countries, and facilities for this will be available in the UK from 1 January 1999. Some pan-European companies may start using the Euro for internal management accounts. Marks and Spencer have announced their intention of dual pricing and accepting Euros even if the UK does not join the EMU.

SOFTWARE CHANGES NEEDED

Global Business Systems is keeping in touch with the software changes likely to be needed via the BASDA (Business and Accounting Software Developers Association) EMU working party.

Our current thinking on the facilities we might provide in Global includes:

- Provision of a function to switch the currency of a customer or supplier account to the Euro (needed for foreign accounts even if the UK does not join).
- Support for the rounding rules for conversion between currencies within the EMU, which are very specific. This is important when the base currency is within the EMU, of little importance otherwise.

Global needs changes to support the 6 digit accuracy required and to make all conversions via the Euro.

- Facility to switch the currency of a bank account to the Euro, and to show figures in two currencies for reconciliation.
- Ability to print a small number of reports showing both currencies. This may include the totals on Invoices.
- Conversion utility to change the base currency used to the Euro.

The last of these is much the most complex, and will be needed for any company in a country which adopts the Euro. We are currently making some assumptions about how a company will switch from the local currency to the Euro:

- A company will convert at a year end.
- Historical transactions will be converted to the new currency (a copy of the old ledgers may also be retained for enquiries).

Changing the accounts is only a small part of the total work a company will need to do in switching over, which is going to be a major project needing careful planning for any company.

We are likely to provide more facilities in Global 3000 than in Global 2000. We may not provide a facility to change the base currency, particularly if the UK does not join.

There are many decisions still to be made regarding regulations, but the most important factor affecting what we decide to do is our users' plans relating to EMU. The guiding principle behind the regulations is "no compulsion, no prohibitions", or in other words companies have a lot of freedom to choose a method and time of conversion that best suits them. Therefore, our software changes will be largely determined by what most of our users decide to do. For example, a company could decide to run in two currencies internally for a long period, but we believe this would be very complex (both for the software and the user) and users will find it far simpler to switch over completely.

FEEDBACK

We would very much appreciate feedback from any of your users involved in European trading or who have plans for EMU. The attached questionnaire has a few headings, but the most important information you can give us will be areas we may not have considered. Please fax completed questionnaires to Alan Goodwin at Bourne End on 01628 532514.

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GLOBAL BUSINESS SYSTEMS EMU QUESTIONNAIRE

Company Name:

Market Sector:

Global 2000 or 3000?: Modules used:

Number of Screens:

1. How many transactions a month do you process relating to other EC currencies:
 - a) Sales orders/invoices
 - b) Purchase orders/invoices
 - c) Payments
2. Do you run any ledgers in a base currency of an EC country other than the UK? If so please say which modules, currency, and transaction volumes.
3. Have you started planning for EMU? If so, is there someone heading up this we can contact?

Name: Position:

Position:

Tel:

Fax:

E-mail:

4. If the UK were to join the EMU by 2002, when do you think you would want to convert? Would it be at a year end? Do you see a need to run General Ledger in two currencies for a period, if so why?
5. In what areas would you need to support dual pricing, and for how long?
6. If the UK were not to join, do you see the EMU affecting you other than for customers and suppliers in countries that do join? For example, might you switch to using the Euro for price lists?
7. If you had to change your internal currency to the Euro, would you see your company needing to employ outside consultants and implementation staff to help with the change-over?
8. Further comments/issues.