

AS-11 THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES

- foreign exchange means currency other than domestic currency
- whenever any transaction is entered in foreign exch. then as. 11 is applied for its recording

HOW TO DEAL WITH FOREIGN EXCHANGE TRANSACTION

It includes all the transaction which are entered in foreign exchange.

INITIAL RECOGNITION

- Using spot rate : Spot rate can be buying & selling rate converted f.c. into D.C. & then regular Journal Rate
- Using Approximate Rate : Approximate rate is near to spot rate & is judgment of management

SUBSEQUENT RECOGNITION

Whenever trial balance is prepared then all monetary items in such trial balance should be recorded at closing rate

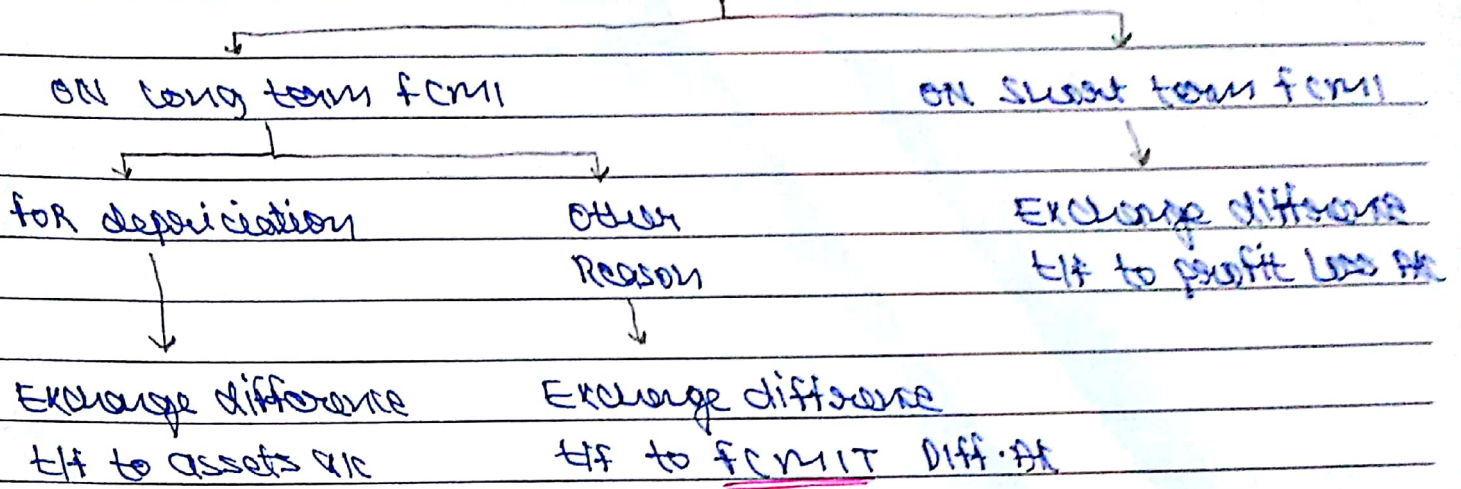
monetary items means which qualify all of following conditions

- Items of trial balance should be ASSETS & LIABILITY
- Items is realisable or payable for a fixed sum under contract
- Item is realisable or payable in foreign currency

Exp: foreign debtor, creditor, BP/BR, Loan

Difference due to subsequent recognition in fcmi is considered as follows.

FOREIGN CURRENCY MONETARY ITEMS



FCMIT Diff. → FOREIGN CURRENCY MONETARY ITEM TRANSLATION
↳ DEFERRED EXP. 31.3.2020

HOW TO DEAL WITH OPERATION (Cover in Branch A/c)

foreign operation means business outside India. It can be in nature of foreign branch, foreign subsidiary, foreign subsidiary & associate.

INTEGRAL FOREIGN OPERATION Ifo

It means which are considered to be extension of business. Journally these are in nature of Ifo

- Transaction within reporting entity are of high volume
- Generally purchase or sales are with reporting entity
- financed are raised from reporting entity

* FOREIGN OPERATION are to be consolidated with reporting entity for this purpose following rules to be applied

P.T.O.

NIFO ⇒ NON INTEGRAL FOREIGN OPERATION

ITEMS	IFO RATES	NIFO RATES
FIXED ASSETS, ACCUMULATED DEPRICIATION	TRANSECTION DATE RATE	USE CLOSING RATE
DEPRICIATION, INVESTMENT	DATE RATE	CLOSING RATE
DEBTOR, CREDITOR, BR & BP SHORT TERM LOAN	CLOSING EXCHANGE RATE	USE CLOSING RATE
LONG TERM LOAN	EXCHANGE RATE	ING RATE
INCOME & EXPENSES	USE TRANS. DATE & AVERAGE RATE	USE TRAN. DATE
ITEMS RELATED TO HEAD OFFICE	BALANCE IN H.O. BOOK	BALANCE IN H.O. BOOK

NOTE. 1 If there is any difference in total balance such for IFO difference is transfer in profit & loss AC

NOTE. 2 If any difference is there in total balance such for NIFO difference is to FOREIGN CURRENCY TRANSATIONAL RESERVE which shown as part of reserve & surplus

FORWARD EXCHANGE CONTRACT (FEC)

Under forward contract agreement is entered between two parties for trading in foreign operation at a pre-DEFINED RATE to be settled on forward date

* On contract date & price change in fo.

JOURNAL

ON SETTLEMENT

NO ENTRY

GAIN OR LOSS CALCULATE

GAIN OR LOSS TRANSFERED

CASH AC dr.
To gain on FEC

Gain on FEC AC dr.
To P&L

LOSS on FEC dr.
To CASH
(Being amt received / paid)

P&L AC dr.
To Gain on FEC AC
(Being amount transferred)