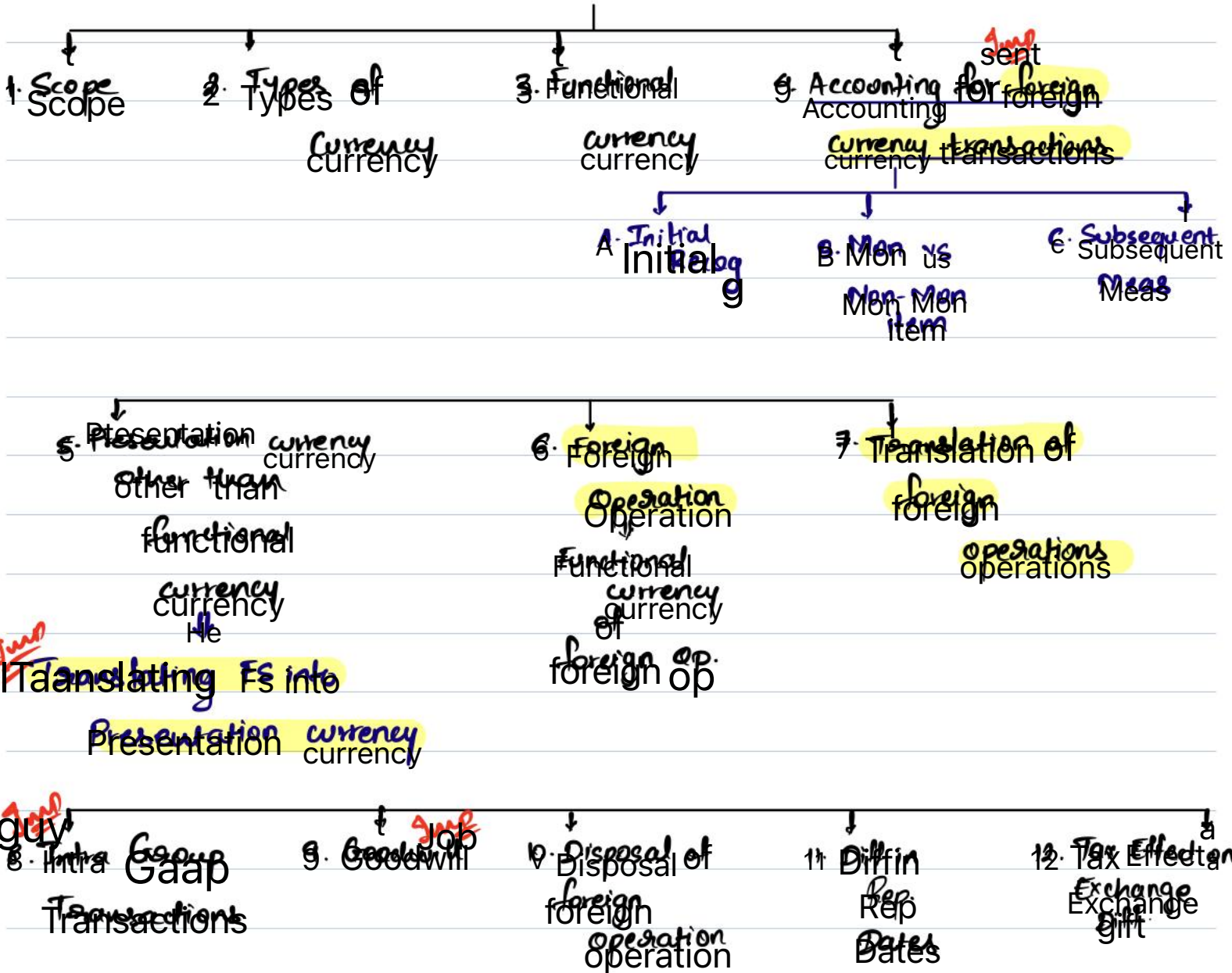


Imp AS 21 → The effects of changes in Foreign Exchange Rates

Exchange Rates



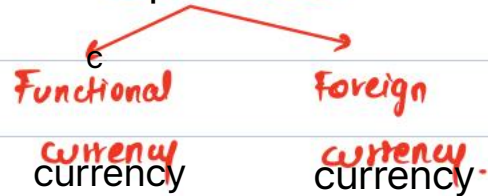
Thats 21

* Types of Currency

1] Foreign Currency → other than functional currency.

2] Functional Currency → Currency of Primary Economic Environment
 Indicators refer concept BOOK Primary Indicators Secondary Indicators

3] Presentation Currency → Currency in which FS presented



4] Transactions in foreign currency in Books of A/c's should be added in ₹.

Cheta Indian Co. → Functional currency → ₹

Purchased a Mach^y worth \$1 Lakhs on 01/09/11 on credit

Rate on 01/09/11 = ₹75/\$, at end → 31/03/12 → ₹80/\$. Ignore Deprn.

JE (in ₹)

Day 01/09/11 Mach^y A/c Dr. ₹75L
 To Trade Payable ₹75L
 (\$1 Lakhs × ₹75/\$)

at end: Mach^y
 → Non Monetary
 → Not remeasured.

at end Trade Payable → Monetary → Remeasure @ 280/\$
 JE: Dr. Trade Payable ₹5L
 To Trade Payable ₹75L
 (\$1 Lakhs × (275/\$ 4880/\$))

Ex 1995

Engg

B/S

Assets

Land
Machine

75L

Equity

Equity (Ex loss)

(5L)

Liab
Trade payable

80L

Ex 1895

(5L)



Monetary item

Monetary

Right to receive / obligation to pay

in fixed or determinable units of currency

Non Monetary item

Non monetary

Other than monetary

eg: Machinery

• Inventories

• Prepaid Exp

• Prepaid Exp → You will receive service in future

• Share Capital

• Security Prem

• Intangible Asset

• Det Tax liab / Asset

eg: Trade receivables

Income Tax Payable

Trade payable

Import duty Payable

loan given

Cash & Bank Bal.

loan taken

Provision for doubtful

o/s Salary

sat outflow of any trade receivables

Yr end → Remeasure @ As Rate

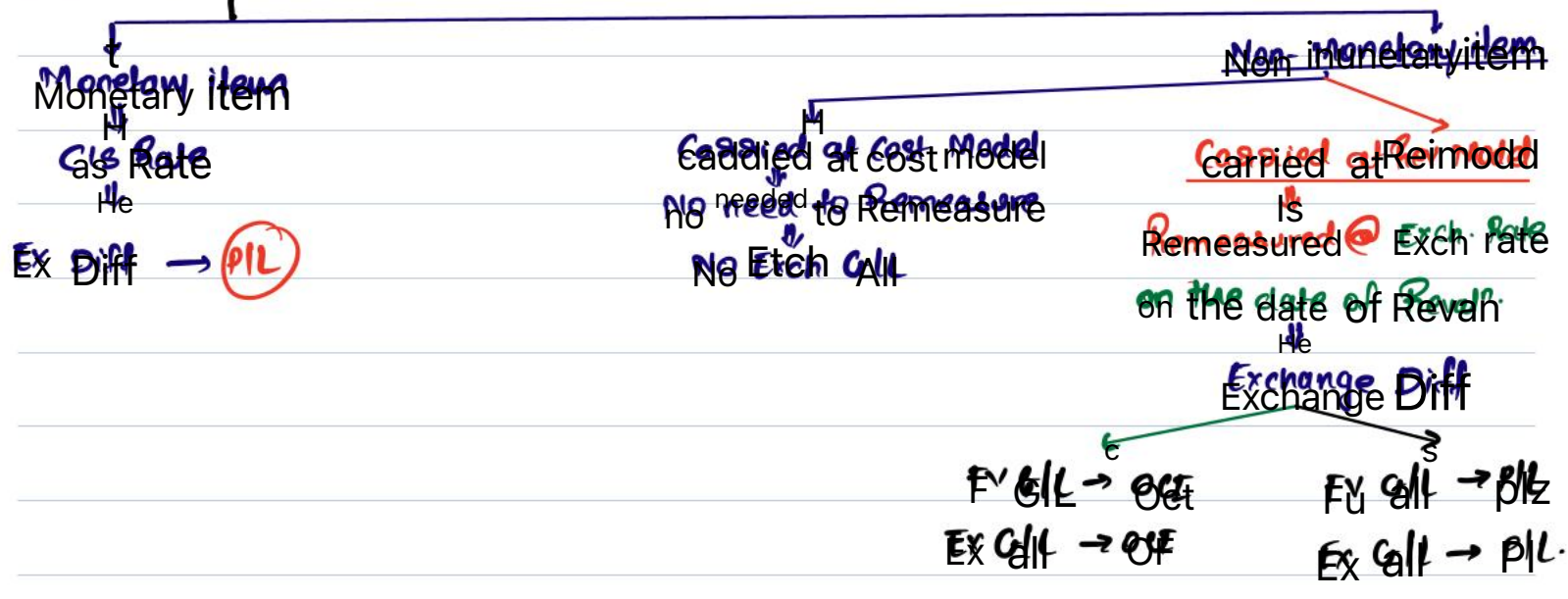
Yr end → No need to Remeasure

It will stay at historical cost

Summary for Accounting of foreign currency transactions?

① Initial Meas → Mon & Non-Mon → Rate on Date of transaction

② Subs Meas (Yrend)



Ex. Asset cost on 01/09/11 → \$1 lakhs on credit
 FY on Yrend 31/03/12 → \$1.1 lakhs.

Ex Rate on 01/09/11 → ₹775/\$
 Ex Rate on 31/03/12 → ₹880/\$.

01/09/11 Memo
 ₹ 7.75L
 To Trade Payables ₹ 7.75L
 (\$1 lakhs × ₹775/\$)

31/03/12 Ex loss (P/L) ₹ 5L
 To Trade Payable ₹ 5L
 (\$1 lakhs × ₹775/\$ - ₹880/\$)

31/3/21 PPE A/c Dr ₹ 75L
 To Fy Gain (Cof) ₹ 75L

31/3/22 PRE A/c Dr ₹ 75.5L
 To Ex Gain (Cof) ₹ 5.52.

Grand thank value - ₹ 88C
 (7752 + 752 + 552)

OF machine value
 100% x 1 \$ 1 lakh x 875 = ₹ 75L

31/3/22 → \$ 1.1 lakhs x 7804 = ₹ 88C

Total Gain ₹ 13L

FY (Cof) (MR) Ex Gain (Cof) (MR)
 (\$ 1.1 (- \$ 1.144) x 751\$) ₹ 5 lakhs
 = ₹ 75L. [\$ 1.1 lakhs x 7804 (- 2751\$)]

THUS 12 (WR)

"E"

30/01/14 Maury 3,00,000

TO Creditors 3,00,000

$(\$5000 \times \frac{760}{\$})$

31/3/14 Ex loss (P/L) ₹ 25000

TO Creditors ₹ 25000

$(\$5000 \times \frac{765}{\$} - 4800)$

31/3/14 Maury's A/c Dr ₹ 30,000

TO Rev Gain (P/L) ₹ 30,000

$(\$5500 - \$1800) \times \frac{760}{\$}$
old rate

[Because we want any Fair Value Gain]

31/3/14 Maury's A/c Dr ₹ 27500

TO Ex Gain (P/L) ₹ 27500

$(\$5500 \times (\frac{765}{\$} - \frac{760}{\$}))$

E "E"

31/10/11 DCL A/c Dr 17280

TO DTL 17250

ended 31/03/12

Creditors A/c Dr 325000
 P/L (EX loss) A/c Dr 10000
 TO UB A/c (\$5000 x 767/1\$) 335000

31/03/12 Maun's FU → Same .i: No Fair Value Gain.
 31/03/12 Maur's Eds Sam

Fairvaluath performed But NO Fair Value Gain (Note: whenever Non-Monetary Asset is Booked @ Fair value on that date Ex all is to be computed.)

31/3/12 Maun's A/c Dr £11000
 To Ex Gain (Oct) £14000
 [\$5500 x (767/1\$ - 765/1\$)

31/3/12 OCT A/c Dr £3300
 TO DR £3300

NO FU / exam
 tiptoe

win for D.T C.A
 31/3/11 [34 + 30k + 22,0] 3100000
 Diff 57500
 PTL @ 30% 17250
 Reason FU/Ex Gain REG Gain for

2) 31/3/12 368500 30000 68500
 (35570 + 11000) + OCT E
 10550
 4tz
 TO DTL

II] Translation of Fin Stat into Presentation Currency

eg: Day to Day transactions recorded in functional currency (₹)
 But FS read to be submitted in \$ [For some reasons]

eg Submission of FS in Foreign Bank for application of loan

Sending FS to Foreign Parent

Ex GIL on Translation of FS

Oct R → Accumulate in O.E

All Assets → C/s Rate

All Liab → C/s Rate

C.L. → P/L → Avg Rate.

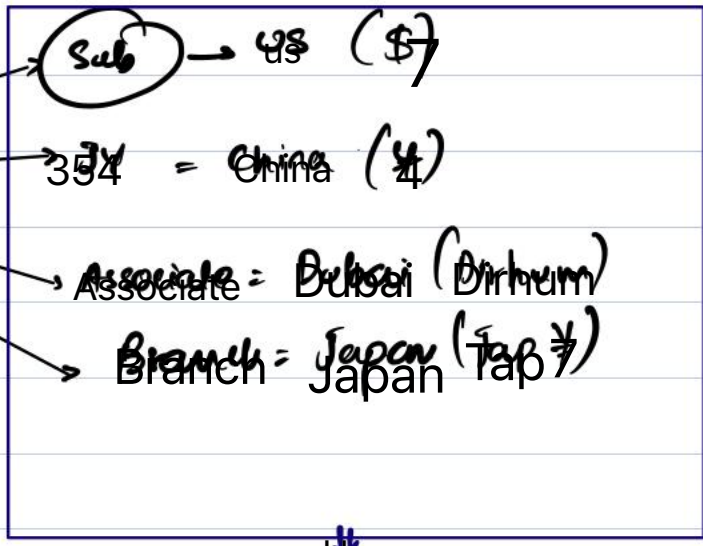
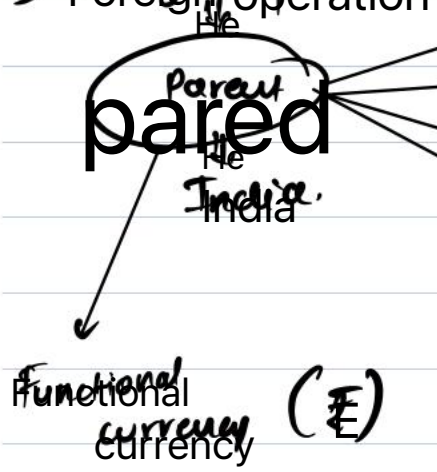
Equity → Esc → Connected Amt Given (if not given, then convert @ historical rate)
 Equity → O.E. → Opn Bal of O.E. → (a)
 2. During the yr → Avg Rate.

Note: [Plz Don't check Monetary / Non-Monetary here]

thoetgg.myIhiYfigfg

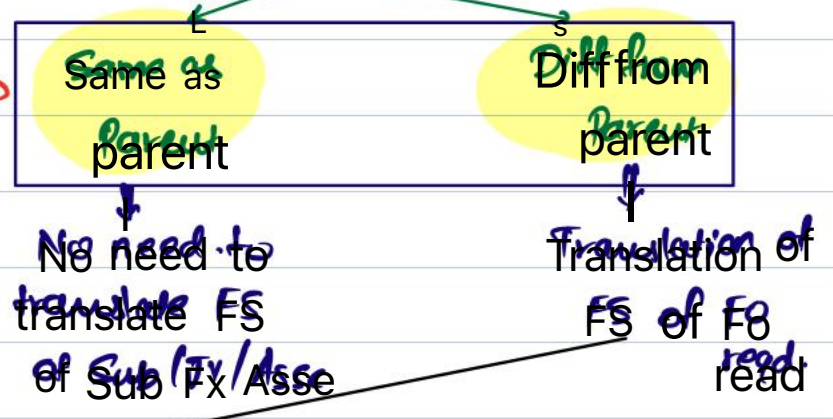
we check this during foreign currency Transaction
 Here we are studying Translation of FS.

III Foreign Operation



Foreign Operations - Functional Currency

concepts given in guerlin concept Book



IV Translation of FS of FO → Into functional currency of Parent

Rules - same as Point II Above.

Titus 14 (LDR)

i) Translation of FS. (USD → £)

	USD	Rate	£
Prop. Plant Eq	50000	1:13	56500 94248 <small>($\frac{50000}{1.13}$)</small>
Receivables	<u>93500</u>	1:13	<u>827434</u>
			£ 871682
Issued Cap	50000	Given	30055
Profit for the year	28000	"	15274
	20000	Aug 1075 Avg	17021
Accounts Payable	840000	1:13	743363
Accrued Liab	47000	1:13	41583
			<u>847306</u>

Foreign Currency Translation Reserve [0.2(R) → 0.1E] Gain $\frac{0.2571}{0.1}$ - 24376

0.794,1 $\frac{871682}{1.1}$
Actual converted value of £

Recon

	USD	£ Rate	£
ESC	50000	1075	44248
RE → Op	28000	1075	24779
During the yr	20000	1:13	17699
			<u>86726</u>
			<u>62351</u>

If they were @ £ Rate. Diff = 24375

Why divide with the conversion Rate?
 eg: if we have \$10000 £ rate is 71\$ ∴ we multiply (rupee per \$)
 Here we have USD 50000 £ rate is 1075 ∴ we wedge. → (great 4\$ per USD)

Cross multiply
 USD 50000 × 1.13 = 56500
 £ 1075

Quesy (LDR) → Solved in 8 B.

* Intra Group Transactions [Between Par & Sub]

refer concept Book for Ques.

Eg:
Som:

In the Books of Parent (SFS) ^{Musa} ^{USD}
~~loan given to Subs~~ For Parent Not
 a foreign currency transaction

In the Books of Subs (SFS/IFS) [€]
 loan taken is \$ For Subs - Foreign
 currency transaction

30/09/21 loan to Subs At € Da \$ 100

To €100 At €	\$ 100
--------------	--------

30/09/21 €100 At € Da 150

To loan from P	150
----------------	-----

[:\$100 × €1.5/\$]

31/03/22 → B/S

	Asset \$
loan to Sub	100

31/3/22 → loan taken from P → Man. item
 ↳ Remeasure @ 60% Rate.

$$\$100 \times \frac{€1.5}{\$1} = €150$$

€ A loan from P

No exch. & IL.

J/E Ex loss (P/L) 50

To loan	50
---------	----

Extras 31/03/22

P/L 31/3/22		B/S 31/3/22	
Ex loss	€ 50	loan from P	€ 200

CFS (31/3/14) → Currency → Parent → \$

BLS → \$	
Liab	Asset
	loan to Subs 100
loan from Subs 210	
He B	
Translate € into \$ at BLS Rate	
€ 200 = \$ 100	
U	
Co's Rate	
€ 2 = \$ 1	

Intra Group Transactions (eliminate)

CES → P/L	
Exp	\$
Exchange loss	25
Convert @ Avg Rate	
(But Avg Rate is missing)	
Assume it is same rate	
€ 50 = \$ 25	
€ 2 = \$ 1	

not be eliminated in CFS
CFS (P/L) ex loss

Treatment of Ex Gain/Loss in Interco Transaction (P → S, S → P)

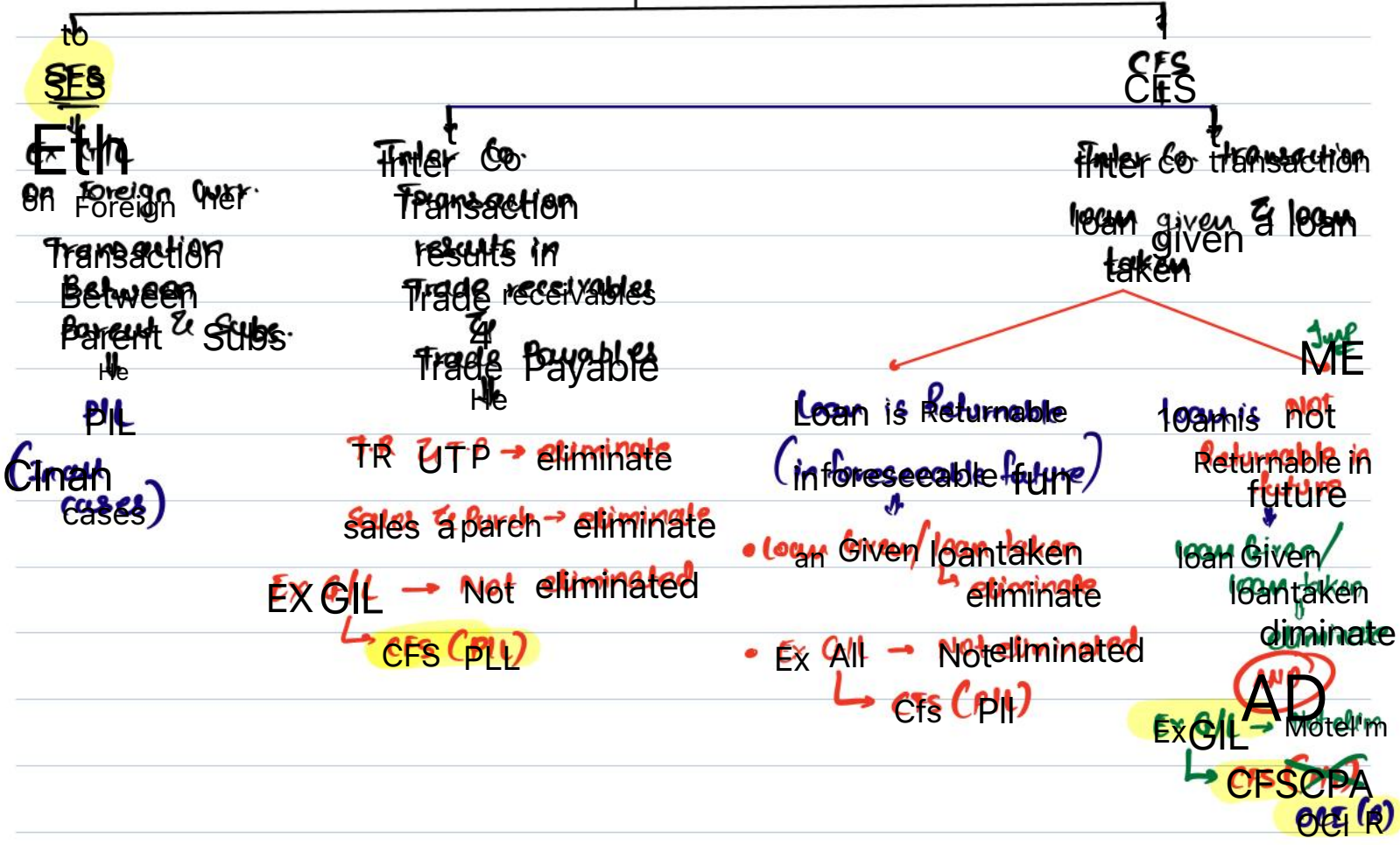
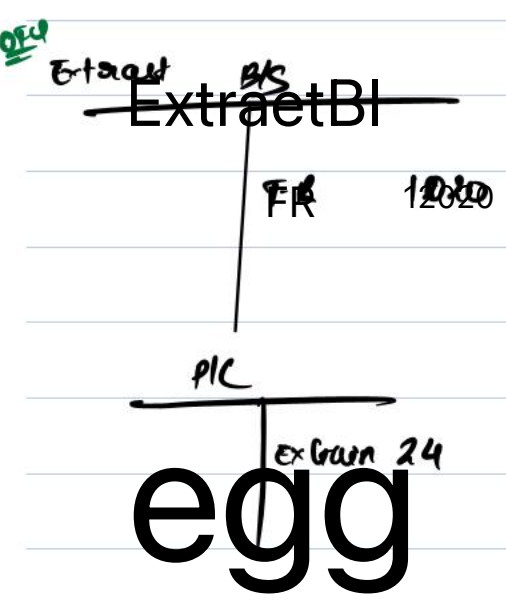


Illustration (€)
 Dtd SFS
 STS Sale € (Foreign firm transaction for m)
 ₹

01/02/21 Trade Payables 996L
 To Sales 996L
 [€ 124 x ₹ 83/€]

31/03/21 FR 24L
 To Ex Gain 24L
 [€ 124 x (₹ 85 - 83)]



01/02 (€) SFS
 Purchase in € (Not a foreign currency transaction)

01/02/21 Purchase (Inventory) 124
 To Trade Payables 124

31/03/21 → Not a foreign currency transaction
 Net Revenue.

B/S	
€	€
Trade Payable 124	Inventory 124

taint
 Transfer in ₹ for CFS
 He
 All asset values as Rate

CFS → Parent (£) (B/S)

Trade Payable (€12L x £85/€)	1020	Trade Payable	1020	(7A & 7B eliminated)
		Inventory (form Below)	996 830 166	URP eliminate → cost (convert inane) → J-E below

OFU
 In exam present this in statement form
 Refer to A saen once

CFS PIH

Ex Gain 24	(Purch/Sale & elim)
Not eliminated (CFS → PIH)	

Inventory Value	€	Rate	£
Cost	12	83	996
NRV (assumed) Caged	12	85	1020

CFS (J-E) URP elimination

From PIH	166
To Inventory	166

Thurs 9

loss of control (Ind AS 110 + 21)

Bank A/c Dr (90%) A/c 1500
 MCE A/c Dr (10%) A/c 100
 GBP A/c Dr -

TO FVA A/c (100%) 1000
 TO Reserves -
 TO P/E (Gain) 600

For Cur Tr. Rese A/c Dr 180
 for. gg gg 180

(FCR Rese reclassified)
 P's share

Total Gain = 600 + 180
 = 780

Thurs 13

01/01/18
~~at~~

Maan's A/c Dr 136L
 TO Creditors 136L
 (\$24476818)

monetary item ∴ Remeasured
 @ as Rate

31/3/18
 311,3118

Creditors A/c Dr 82
 TO Ex Gain (P/E) 66
 (\$22 × (28545768))

31/3/18

Maan's
 ME (Monetary item)
 ↓
 Net Model NOT followed
 Net Remeasured

Dep'n 8.5L
 TO amount 8.5L
 (£1361 × 3/12 × 44 yf)
 glue

PPE Trend = 136 - 8.5
 = 127.5

CFO's contention - Incorrect (4) Give concept of Mon & Non Mon

File 14 (WR)

Extra Ayaan: For all items as they should be converted @ rate of date of transaction

tianya.si pwmaitews
But since full data of rates for each transaction is not available. ∴ we use Aug Rate

			£
9/10/17	ClB	Dr	1440
	TO Adv Revenue		1440
	(Contract contractual)		
TIM	(\$30m x £72/\$)		

			£
31/3/17	Adv Revenue	Dr	1440
	Reable	Dr	2250
	TO Revenue	Ac	3690

Booked on 31/3/17 ∴ use rate of 31/03

(\$30m x £75/\$)

(Also Refer ICAI Solⁿ).

TILUS 15 (LDR)

D BE (tot) € 17.5m

(1) NCI (20%) € 6.9m

PSMA € 23m x 307. jo
PSNA (23m x 307.)

EI INA (100%) (€ 23m)

GW € 1.4m

JE INA Ale De 15m

GW Ale De 14m

TO BE 17.5m

TO NCI 6.9m

$$\text{GW } 31/03/12 \text{ €1.4M} \times 784/\text{€} = 7176$$

converted at
cis Rate
as per
Ind As 21

ii) Refer Q.B.

Jul 16 (CPR) [E1 + 21]

Step 1 CF

Day 1 60L (Fcy) inflow

1-6 6L (FLY) outflow (coupon)

6th year (Mural ?) Prem Amt missing.

Step 2 PV of FL (No CF, No relationship) $Mortgage \text{ Input } J7 \text{ FY} = T.P$

$$EIR \times OF \text{ of } T.P$$

$$= 60L \times (1 - 0.06)^6$$

$$= 582 \text{ (Fcy)}$$

Step 3 EIR = 12%

Step 4 EAT (Fcy)

Unended	Opn (FV of Fd)	Just @ EIR (y/y)	pay on 4r end	CLB
3103.72	58L	6.964	(6.96)	58.962
	convert at Op Rate (72.5/74)	convert at Avg Rate (82.42/14)	convert at cur rate (82.75/149)	convert @ CLB Rate (72.75/Fcy)
(?)	145L	16.8432L	(16.5L)	162.14L
	↓			
	145.3432			

Actual CLB AM 162.14L (£)

↑ ftp 16.7968 → piece less 16.7968L

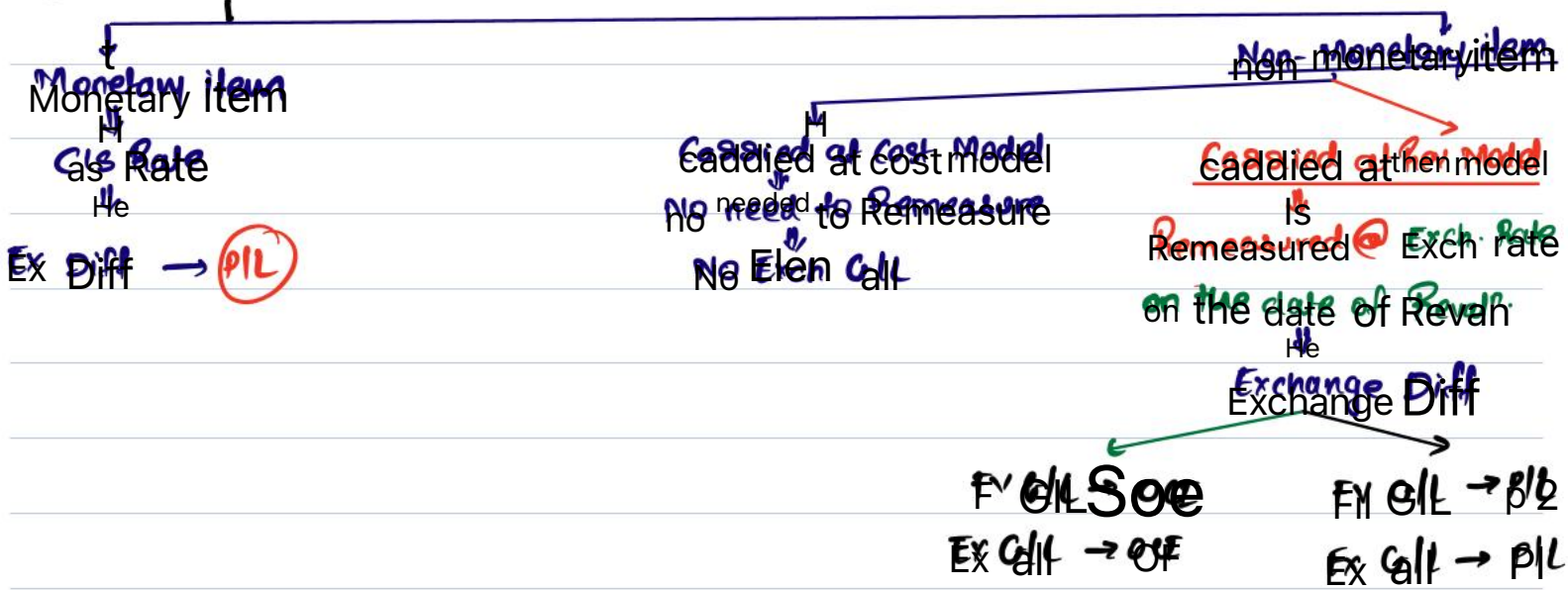
78 Fin. Vap 16.7968L

Summary of Treatment of Ex Gilt

I Foreign Com. TRANSACTIONS

① Initial Meas → Mon & Non-Mon → Rate on Date of Transaction

② Subs Meas (yrend)



II Translation of FS into Presentation Currency

fall assets @ as Rate

Ex GIL on Translation of FS
Oct R → Accumulate in O/E

Eg one opⁿ } Given / Historical Rate
During the yr profit → Avg rate.

IV) Exch GIL Treatment on Inter Co. Transactions.

Treatment of Ex Gain/Loss in Inter Co Transaction (P → S, S → P)

