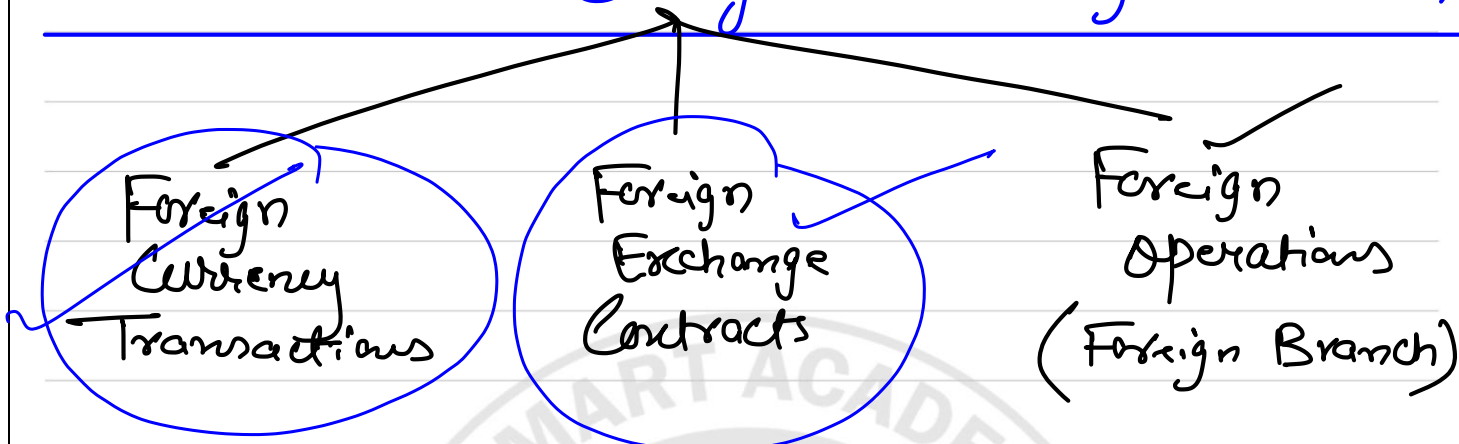
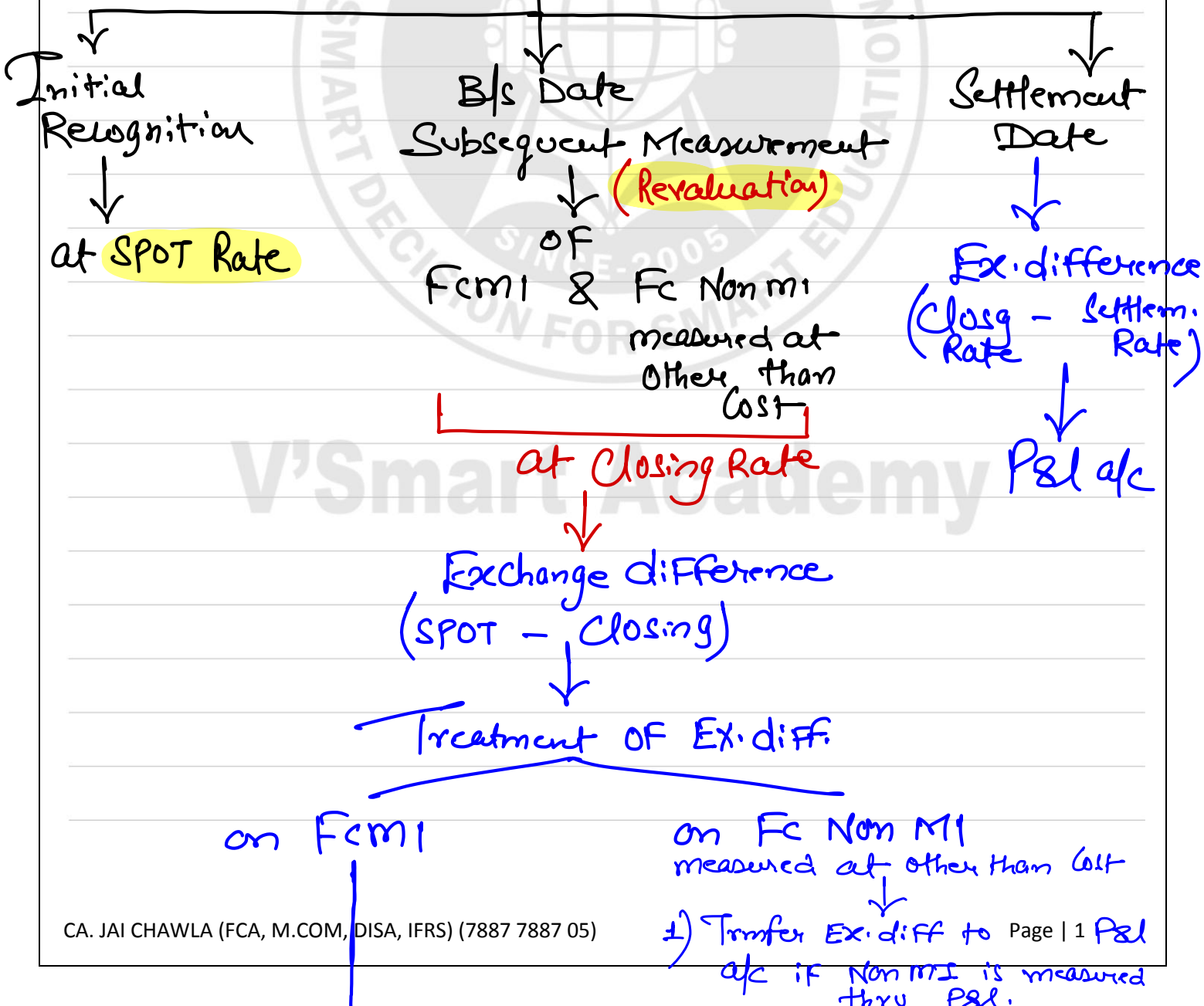


# As 11

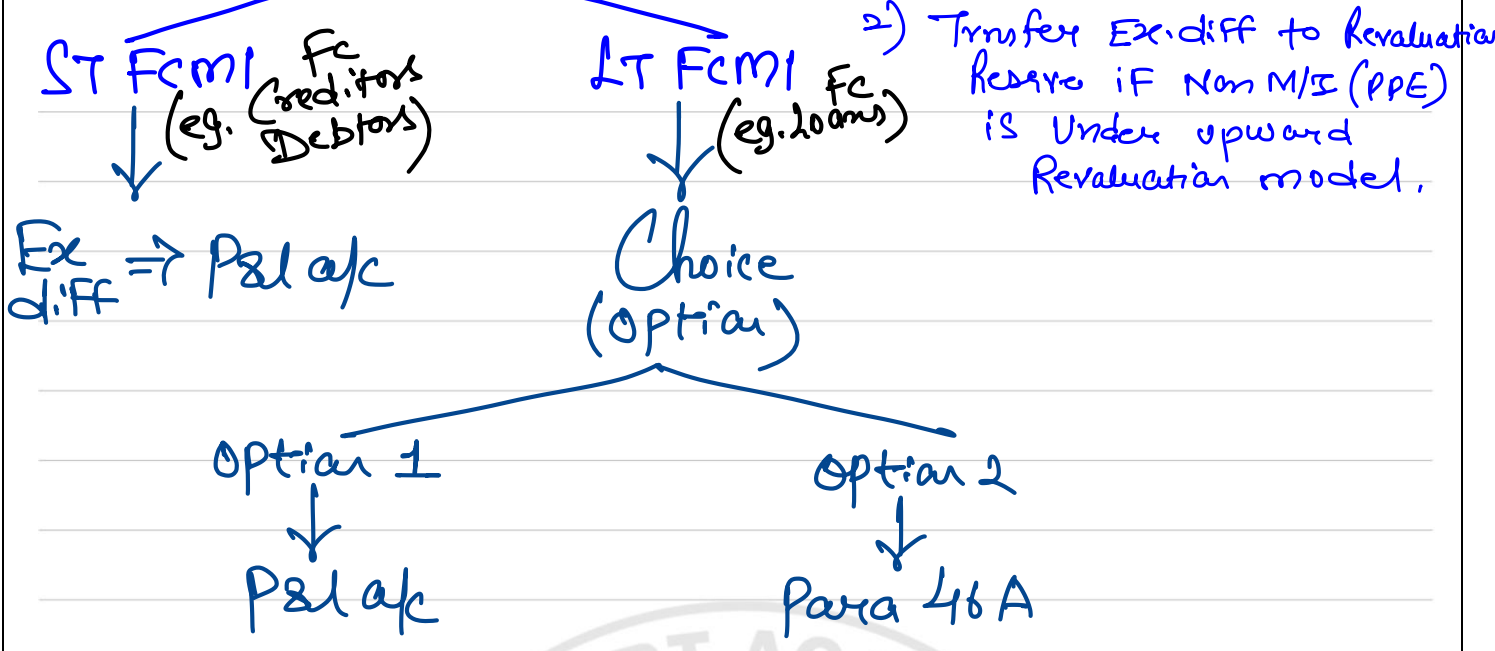
## The effects of Changes in Foreign Ex. Rates



## Foreign Currency Transactions (FCT)



(or)



## Para 46A on LTFCMI

Exchange difference → Treatment  
 |  
 if LTFCMI (Loan)  
 is related to

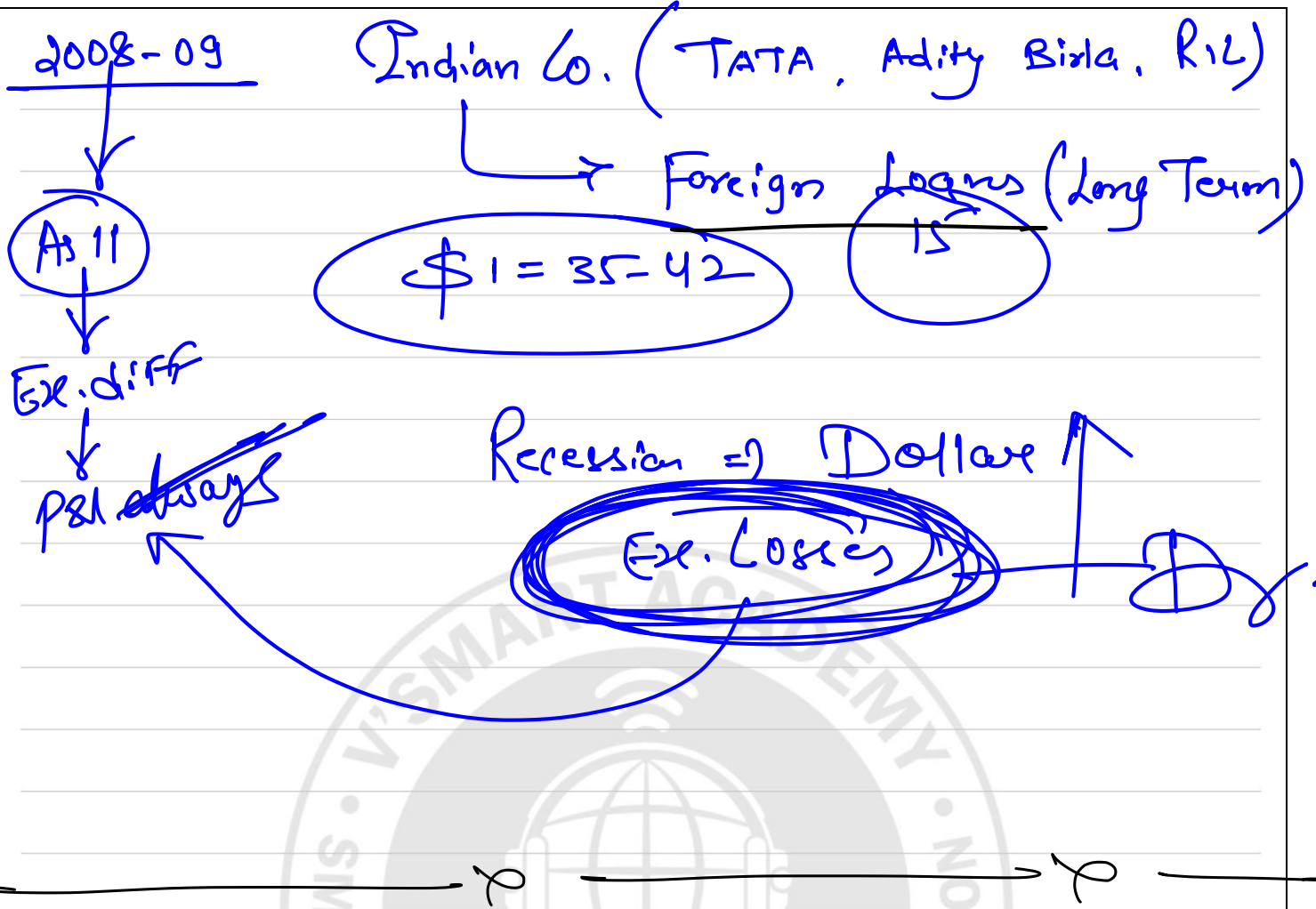


Add Ex Loss to the Carrying Amt. of Asset

Less Ex. Gain to the Carrying Amt. of Asset

↳ Further Depreciation will be affected in P&A.

FCMI D A/c 100000 Dr.  
 ↓  
 Deferred & Amortised over the Life of LTFCMI



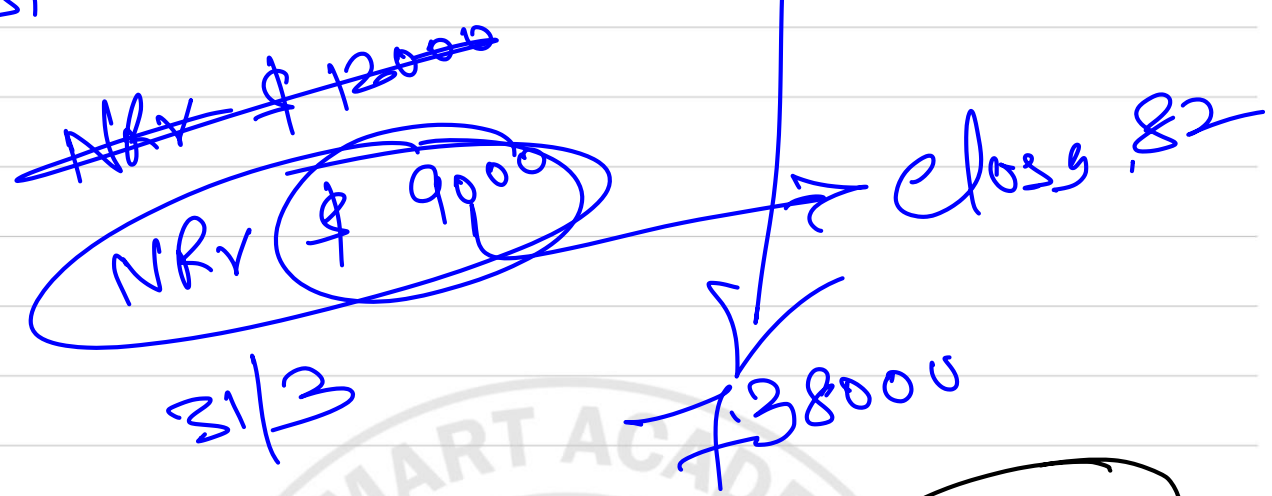
Non monetary items

(Assets / Liab.)  
at Cost

at other than  
Cost

	AS	at Cost	at other than Cost
Investments	AS 13	Long Term	Cost (or) MV
Capital		✓	X
PPE	AS 10	Cost model	Revaluation model
Stock	AS 2	✓	NRV
Intangible Assets	AS 26	✓	X
Land	AS 10	Cost model	Revaluation model

1/3 June  
 Cost spot =  $\$10000 \times 80 = 800000$



FC Debtors	PPE (Cost)	Foreign Curr	FC Loan
FCM1	Non M1	Foreign Curr	FCM1
AS11	<del>AS11</del>	Invest (MV)	AS11
		Non M1	

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For. Debt → femi  
To ~~sale~~

~~Debtors Indian~~  
To ~~sale~~

Foreign Investment (Non femi)  
To ~~Bank~~

Foreign Invest Div. (Non femi)  
To Foreign Creditors (femi)

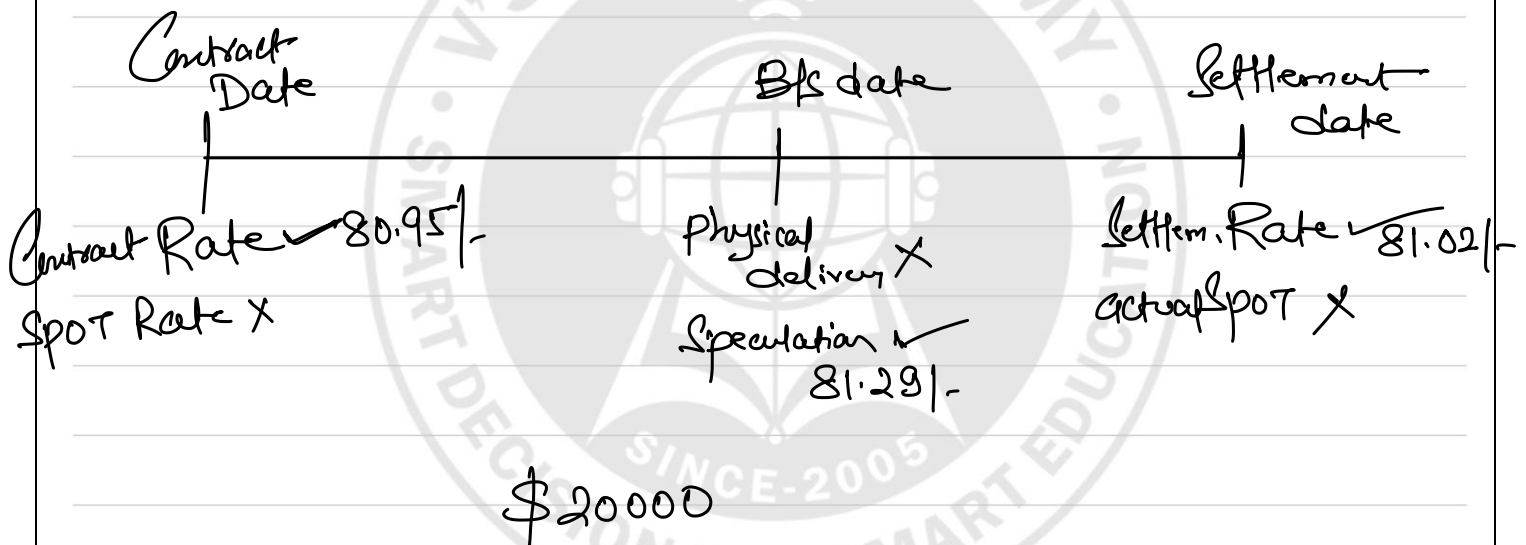
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F. Premium/Discount shall be D & A over the life of Contract.

3) Speculation :- Any Contract in foreign currency without any physical delivery when the settlement is made on Net Basis

A/c Treatment :-



$$\text{B/S date} \Rightarrow \text{Gain} \Rightarrow (81.29 - 80.95) \times \$20000 = 6800 \text{ P\&L}$$

$$\text{Settlement date} \Rightarrow \text{Loss} \Rightarrow (81.02 - 81.29) \times \$20000 = 5400 \text{ P\&L}$$

Q101

(b)

Provision:- As per AS 11 (name), Ex. difference arises due to subsequent measurement of FCFI (short Term) should be immediately transfer to P&L a/c.

Treatment:-

Initial Reog. @ 80/- = 10,00,000

Subseq. measurement @ 85 = 10,62,500  
 $12500 \times 85$

Increase in Creditors (Loss) = 62,500

It should be directly transfer to P&L as under:-

31/3 Ex. Loss a/c Dr. 62,500  
To JBB Ltd. (Creditors) 62,500

31/3 P&L a/c Dr. 62,500  
To Ex. Loss a/c 62,500

Q104

a) 23077 Ex. gain = P&L

b) 604317 Ex. Loss

P&L

Para 46

Capitalised

Fc mit D/c

Q106

Provision :- As per As II ("name") Ex. difference arising on subsequent measurement of Long Term Fcml should be treated as Under :-

a) option 1 :- It should be either transfer to P&L a/c immediately ; (or)

b) option 2 :- If LT Fcml is related to any Depreciable Asset then Ex. difference should be adjusted to the Carrying Amt. of that Asset. (Para 46A)

2) Working :-

Initial Recog. on 1/4/15 @ 60/- 24,00,000  
 $\frac{2400000}{60} = ₹40,000$

Subsequent measure on 3/3/16 @ 62.5 25,00,000  
 $₹40000 \times 62.5$

Ex. Loss = 1,00,000

3) Conclusion :-

Above Ex. Loss should be either transfer to P&L or it should be added to the Carrying amt. of Equipment.

Opportunity Ltd has added to the Cost of Equipment which is correct as per AS 11.

Q108

In the question borrowing rate of 15% P.a is given, it means if we pay immediately we have to borrow the same @ 15% P.a.

If we pay after 6 months, no borrowing is required.

Option 1:- Pay immediately at 1%. Cash Discount

<u>Particulars</u>	<u>Amount.</u>
Total Payable	\$ 50000
(-) 1% Discount	\$ 500
	<hr/>
Net Payable (in \$)	\$ 49500
Net payable (in ₹) @ 97	₹ 48,01,500
(+) Interest on borrowings @ 15% p.a. for 6 months	₹ 36,113
	<hr/>
	<u>Total outflow = ₹ 51,61,613</u>

Option 2:- Pay after 6 months @ 5% p.a. interest

<u>Particulars</u>	<u>Amount.</u>
Payable	\$ 50000
(+) Interest @ 5% p.a. for 6 months	\$ 1250
	<hr/>
	<u>Total payable after 6 months = \$ 51250</u>
	<u>Total outflow @ 99/- = ₹ 50,73,750</u>

Option II should be availed.

Q301

Provision :- As per AS 11 ("name"), Forward Ex. Contracts in the nature of speculation should be treated as under :-

Any Gain/Loss (difference between Contract Rate & Settlement rate) should be charged to the SPL.

Working :-

<u>Particulars</u>	<u>Amount.</u>
1/12 Contract Rate	\$47.10
3/1 Settlement Rate	\$47.18
Increase i.e. Gain	\$0.08
Total Gain on \$100000	\$8000
Transfer to P&L.	

# Foreign Branch (operation)

IFO  
(Integral)

Br. Trail Bal. (\$)

Conversion into (\$)

NIFO  
(non-Integral)

Br. TB (\$)

Conversion into (\$)

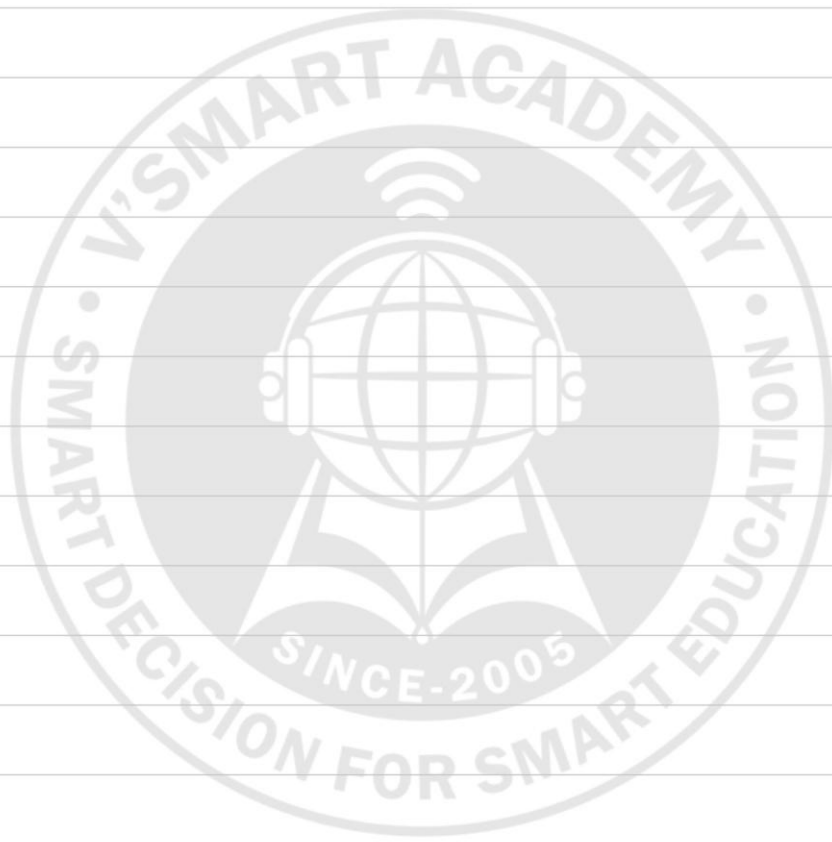
- 1) M.I.  $\Rightarrow$  Closg Rate
- 2) N. M. I.  $\Rightarrow$  Same Spot Rate (Historical)
- 3) Income Exp  $\Rightarrow$  Avg. Rate
- 4) Clo. stock  $\Rightarrow$  Clos. Rate
- 5) HO Bal. Goods Received from HO  $\Rightarrow$  actual Bal. in HO Books

- 1) All Asset/Liab. Closg Rate
- 2) Income | Exp Avg. Rate

Same

Ex. Difference  $\Rightarrow$  P&L ak

Ex. differ  $\Rightarrow$  FCTR (R&S)



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