The Effects of Changes in Foreign Exchange Rates (AS-11)

- Foreign Currency Transaction
  - Initial Recognition (Exchange Rate)
    - Spot Rate i.e. Rate of Transaction
  - Subsequent Recognition (Exchange Rate)
    - Monetary Items
      - B/S Date
    - Non Monetary Items
      - At Historical cost
        - Date of Transaction
      - At Fair Value
        - Date of Valuation
- Foreign Operations
- Forward Exchange Contracts
  - Trading or Speculation
    - Gain/Loss : P&L A/c
  - Not for Trading or Speculation
    - Premium or Discount amortize over life of contract

[Exchange Difference to be transferred to P&L A/c]

PARA 46A : Special Case

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Long Term Foreign Currency Monetary Item

(≥ 12 Months)

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Exchange Difference

- Related to Depreciable Capital Assets
  ↓
  Adjust cost of Asset
  (+, −)

- Others
  ↓
  Accumulate in FCMITDA & amortize over period

Foreign Operations

	Integral Foreign Operation	Non Integral Foreign Operation
1) Expense / Income	Actual Rate (If not, then Average Rate)	Actual Rate (If not, then Average Rate)
2) Opening Stock	Opening Rate	Opening Rate
3) Closing Stock	Actual Rate (If not, then Closing Rate)	Closing Rate
4) Fixed Assets	Actual Rate	Closing Rate
5) Monetary Items (Debtors, B/R, Creditors, etc.)	Closing Rate	Closing Rate
6) Goods sent to HO / HO Balance	Actual	Actual
7) Exchange Difference	P&L A/c	Foreign Currency Translation Reserve [Until disposal of Net Investment in NIFO → Recognised as income or expense in period of disposal]