

# **Accounting of Transactions of Foreign Currency**

## **AS 11 - Accounting for Effects of Changes in Foreign Exchange Rate (Revised 1<sup>st</sup> April 2004)**

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**Objectives:** To include transaction involving foreign exchange in financial statements of an enterprise .

**Scope:**

1. Applies to accounting for transactions in foreign exchange
  - A. Purchase or Sale of Goods or Services in foreign exchange
  - B. Borrowing or Lending of money in foreign exchange
  - C. Acquisition or Disposal of Assets in foreign exchange
  - D. Incurring or Settling of liabilities in foreign exchange
  - E. Forward Contract in in foreign exchange
  
2. For disclosure requirements of an enterprise

**Exclusions:**

1. Restatement of Financial Statements from its reporting currency into another currency for convenience of user
2. Presentation in Cash Flow Analysis for cash flow arising in foreign exchange and transactions of foreign operations (AS 3 Cash Flow Statements)
3. Exchange Difference arising from foreign currency transaction in relation to adjustments in Interest Cost. (AS 16 Borrowing Cost)

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### **Definitions:**

- 1. Reporting Currency** is the currency used in presenting the financial statements.
- 2. Foreign Currency** is the currency other than reporting currency of an enterprise.
- 3. Exchange Rate** is the ratio of exchange of two currency.
- 4. Average Rate** is the mean of the exchange rates in force during a period.
- 5. Closing Rate** is the exchange rate at the balance sheet date.
- 6. Exchange Difference** is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at a different exchange rate.
- 7. Fair Value** is the amount for which an asset could be exchanged or liability settled, between knowledgeable parties in an arms length transaction.
- 8. Monetary Items** are monies held and asset and liabilities to be received or paid in fixed or determinable amount of money.
- 9. Non-monetary Items** are assets and liabilities other than monetary items.

**Thank You !!!**

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