



Effects of changes in Foreign Exchange rate India AS vs. SAP-ERP

CA Rajeev Kumar
Mobile: 8123294350
Email: ficorajeevkedia@gmail.com



Agenda

Indian AS11 overview

- Day to Day business transactions
- Periodical Valuation of Monetary Items
- Periodical Valuation of Non-Monetary items

SAP-ERP overview

- Implementation of AS11
- Controls & checks


Questions & Answers





Indian AS11

An enterprise may have transactions in foreign currencies or it may have foreign branches. Foreign Currency transactions should be expressed in enterprise's reporting currency and the financial statement of foreign branches should be translated into enterprise's reporting currency in order to include them in the financial statement of the enterprise.





Initial Recognition


Initial Recognition

AS11:

A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

SAP:

Should be handled as follows:

- Maintain Exchange rate, Exchange rate type**
 - Enter transaction data in foreign currency**
- 

Exchange rate in SAP- ERP

Exchange rate maintenance

ExRt	ValidFrom	Indir.quot		Rati...	From		Dir.quot.		Ratio (to)	To
1001	01.01.1995		X		1DEM	=	0.69000	X		1USD
1001	01.01.1995		X		1USD	=	1.45000	X		1DEM
1002	01.01.1995		X		1DEM	=	0.69000	X		1USD
1002	01.01.1995		X		1USD	=	1.45000	X		1DEM
1003	18.04.2013		X		1DEM	=	0.69000	X		1USD
1003	01.01.1995		X		1DEM	=	0.69000	X		1USD
1003	01.01.1995		X		1USD	=	1.45000	X		1DEM
1004	01.01.1995		X		1DEM	=	0.67000	X		1USD
1004	01.01.1995		X		1USD	=	1.50000	X		1DEM
2001	01.01.1995		X		1DEM	=	0.69000	X		1USD
2001	01.01.1995		X		1USD	=	1.45000	X		1DEM
2002	01.01.1995		X		1DEM	=	0.69000	X		1USD
2002	01.01.1995		X		1USD	=	1.45000	X		1DEM
2003	01.01.1995		X		1DEM	=	0.69000	X		1USD
2003	01.01.1995		X		1USD	=	1.45000	X		1DEM
2004	01.01.1995		X		1DEM	=	0.67000	X		1USD
2004	01.01.1995		X		1USD	=	1.50000	X		1DEM



Settlement of monetary transactions

AS11:

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the period, should be recognized as income or as expenses in the period in which they arise

AS11:

Normally, should be valued at closing rate.

SAP:

Should be handled as follows:

-At the time of clearing



Accounting Schema

Foreign Exchange rate fluctuation at the time of Payment or collection

-Example:

-At the time of Invoice booking- 1USD=60 INR

Particulars	Debit/ Credit	Amount (USD)	Amount (INR)
Expense	Debit	100	6000
Vendor	Credit	100	6000

-At the time of Payment- 1USD= 61 INR

Particulars	Debit/ Credit	Amount (USD)	Amount (INR)
Vendor	Debit	100	6000
Forex Loss	Debit	-	100
Bank	Credit	100	6100



Periodic Valuation

Periodic valuation for Reporting


Monetary items- Cash & Bank balance; Customer & Vendor open items

AS11:

Normally, should be valued at closing rate.

SAP:

Should be handled as follows:

- Balance valuation with Valuation method for Cash & Bank**
 - Open Item valuation for Customer & Vendor**
- 

Accounting schema

Foreign Exchange rate fluctuation at Month End/ Quarter End/Year End

-Example:

-At the time of Invoice booking:- 1USD=60 INR

Particulars	Debit/ Credit	Amount (USD)	Amount (INR)
Expense	Debit	100	6000
Vendor	Credit	100	6000

-At Month End:- 1USD= 61 INR

Particulars	Debit/ Credit	Amount (USD)	Amount (INR)
Valuation Loss	Debit	-	100
Balance sheet Adjustment account- Liability	Debit	-	100

Valuation in SAP-ERP

Foreign Currency Valuation in SAP

Foreign Currency Valuation

⊕ ⊞ ⓘ 🇩🇪

General Selections

Company Code to

Valuation Key Date 30.11.2014

Valuation method

Valuation in curr.type 10 or valuation area

Postings Open Items G/L Balances Other FASB 52

Bal.sheet preparation valuatn

Create Postings

Batch input session name

Document date

Posting date

Posting period

Reversal posting date

Reverse post. period

For G/L Account Balance Valuation

Reverse postings


Valuation in SAP-ERP

Foreign Currency Valuation in SAP for AR/ AP/ GL open items

Foreign Currency Valuation

🕒 📄 🌐 🇩🇪

General Selections

Company Code to 


Valuation Key Date 30.11.2014

Valuation method

Valuation in curr.type 10 or valuation area

Postings Open Items G/L Balances Other FASB 52


Valuate G/L account open items

G/L Account to 


No GR/IR Accounts

Valuate GR/IR accts


GR/IR with FI Data


GR/IR Delivery Costs to 


Valuate vendor open items


Vendor to 

Valuate customer open items

Customer to 

Reconciliation account to 

Document Number to 

Currency to 

Valuation in SAP-ERP

Foreign Currency Valuation in SAP for Bank balance valuation

Foreign Currency Valuation

General Selections

Company Code	<input type="text" value=""/>	to	<input type="text" value=""/>	
Valuation Key Date	<input type="text" value="30.11.2014"/>			
Valuation method	<input type="text" value=""/>			
Valuation in curr.type	<input type="text" value="10"/>	or valuation area	<input type="text" value=""/>	

Postings | Open Items | **G/L Balances** | Other | FASB 52

<input type="checkbox"/> Valuate G/L account balances				
G/L Account	<input type="text" value=""/>	to	<input type="text" value=""/>	
<input type="checkbox"/> Valuate P&L accounts				
<input type="checkbox"/> Val. period balance only				
Exchange rate difference key	<input type="text" value=""/>	to	<input type="text" value=""/>	
Business Area	<input type="text" value=""/>	to	<input type="text" value=""/>	
Currency	<input type="text" value=""/>	to	<input type="text" value=""/>	