

M. Com Sem-4

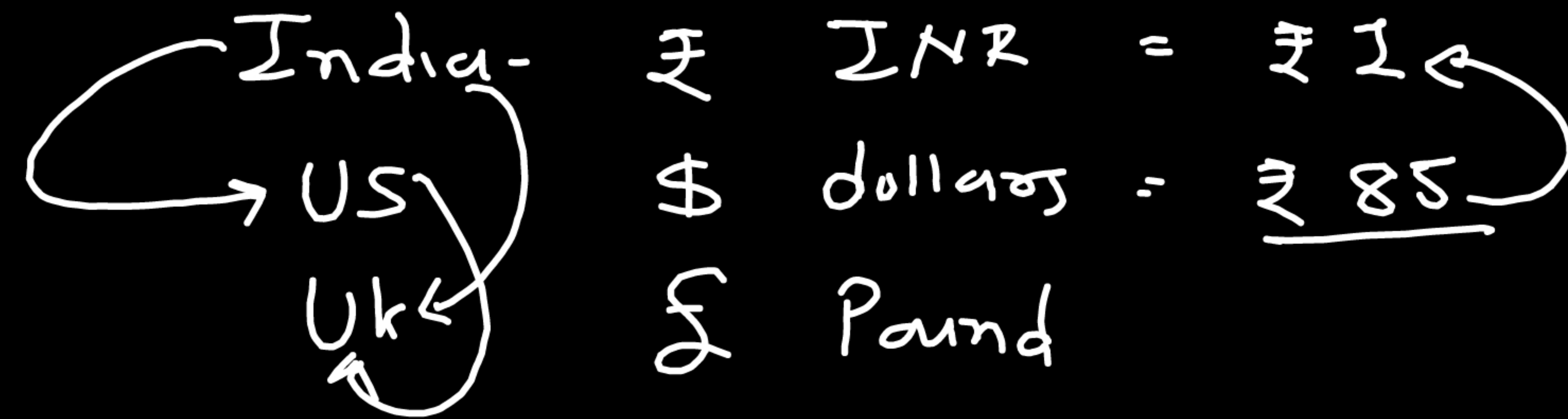
International Accounting

Chap. 3

The Effect of Changes in  
Foreign Exchange Rates

Ind AS-21

## Business Transaction - money



Company - Import - Export

Company - Branch - Foreign

Holding co. - Subsidiary - Foreign

Joint Venture - Foreign

Associate - Foreign

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## The Effect of Changes in Exchange Rates

1<sup>st</sup> April 1995

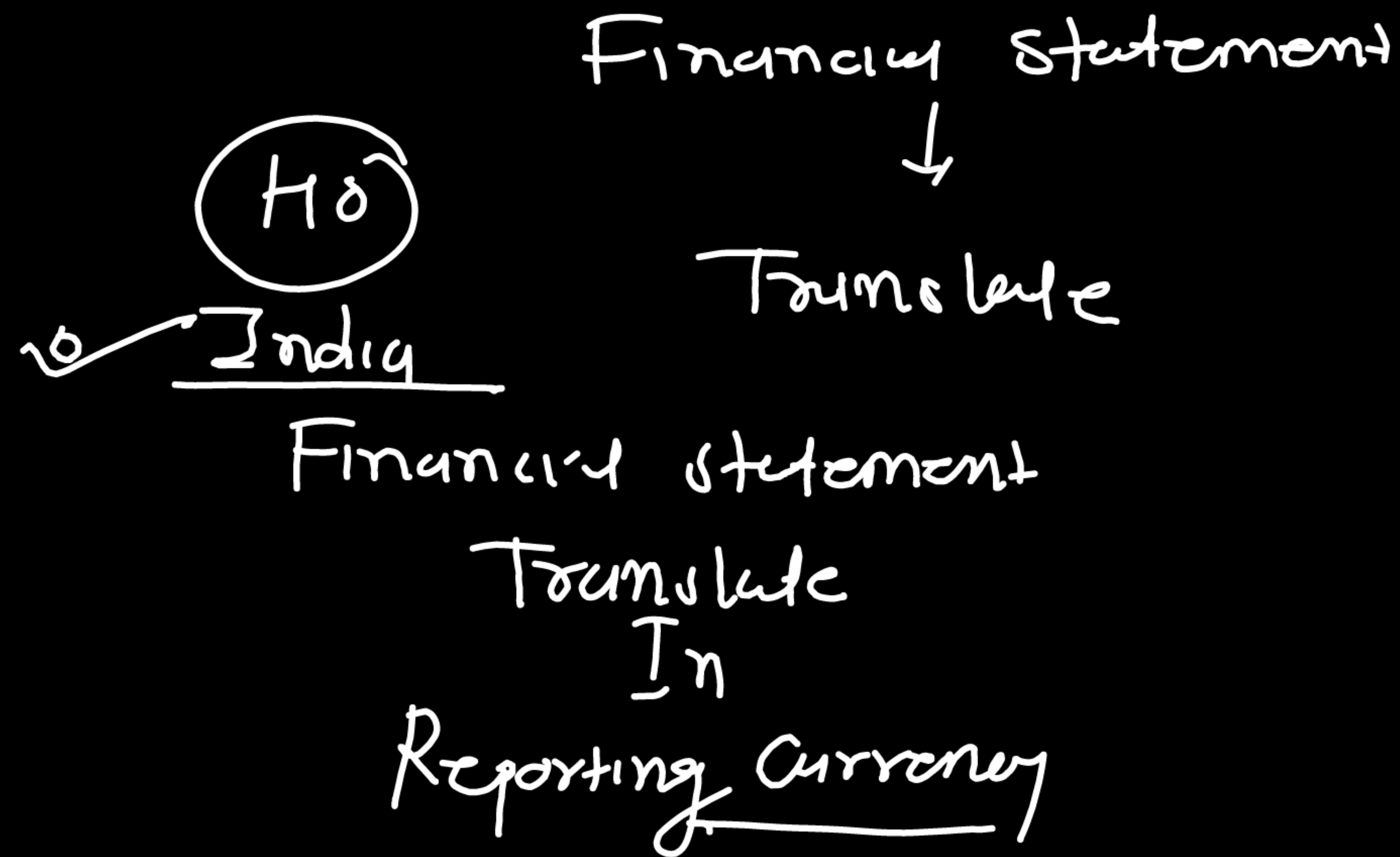
Revised year 2003

On or After 1-4-2004  
mandatory

AS-21

\* Objective

US ← Branch } Foreign currency  
US ← JV }  
UK ← Associates }



Foreign Translation

Import-Export

Exchange Rate

\* Scope

(1) Accounting For Transaction in Foreign Currency

(2) Translating the Financial Statement of Foreign operation

\* Terms

(1) Average Rate - Mean

(2) Closing Rate - Balance sheet date | \$ =  $\frac{80.20}{\times 5}$

(3) Exchange diff.

| ₹ = 1

(4) Exchange Rate - Ratio

(5) Fair value - Arm's length Transaction

(6) Monetary Items -

(7) Non Monetary Items -

(8) Reporting Currency

\* Important Factor's In Transaction

- ① Date of Transaction
- ② Date at Balance sheet (Date of closing Accounting)
- ③ Date of Settlement

Example

DoT ✓	US \$	<u>1,00,00</u>	<u>1-1-2023</u>	Import from US by India	
DOS/DOB	US \$	<u>50,00</u>	<u>31-3-2023</u>	paid	FS.
DOS	US \$	50,00	<u>01-06-2023</u>	paid	313

Exchange Rate

1-1-23	₹1 = \$ <u>80</u>
31-3-23	₹1 = \$ <u>80.90</u>
01-6-23	₹1 = \$ <u>82</u>