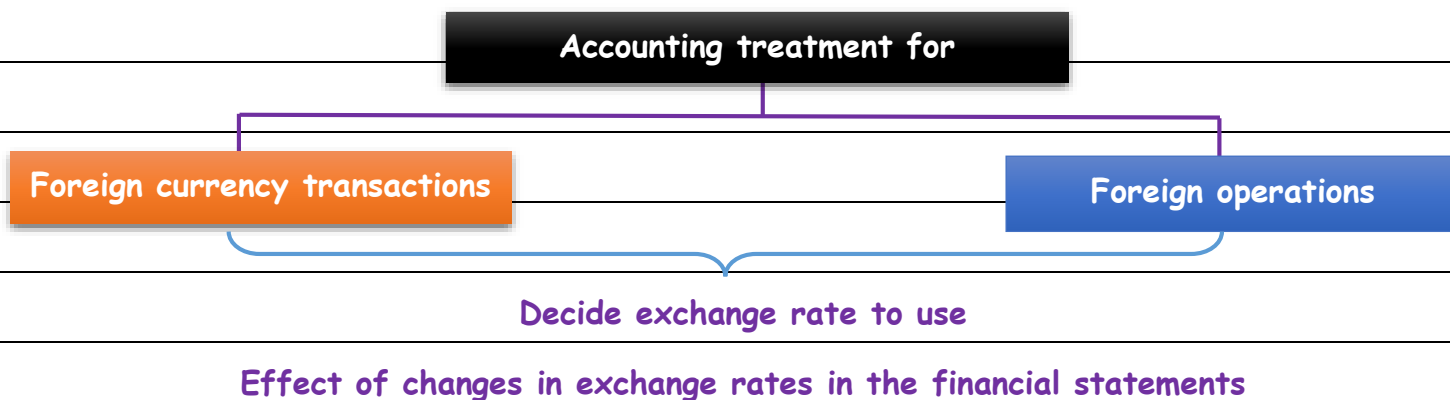
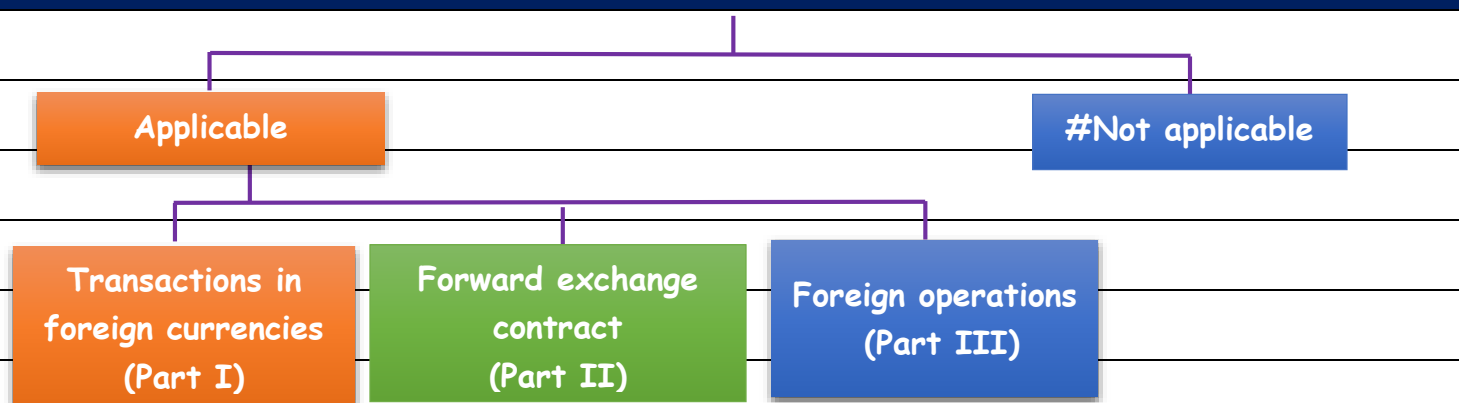


AS 11 : EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

CONCEPT 1 : INTRODUCTION



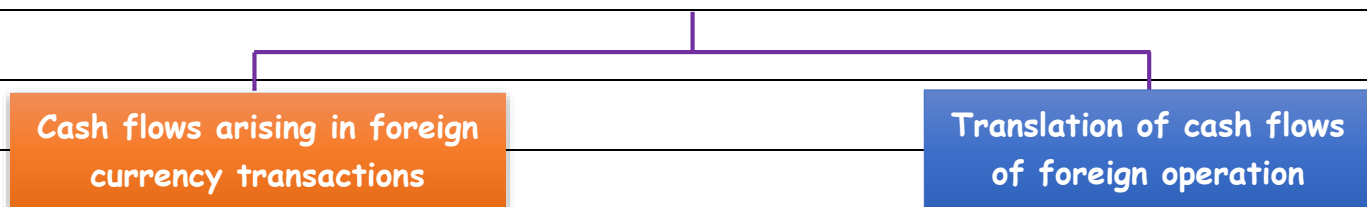
CONCEPT 2 : SCOPE OF AS 11



Not applicable for

Specifying the currency in which an enterprise presents its FS

Presentation in cash flow statement



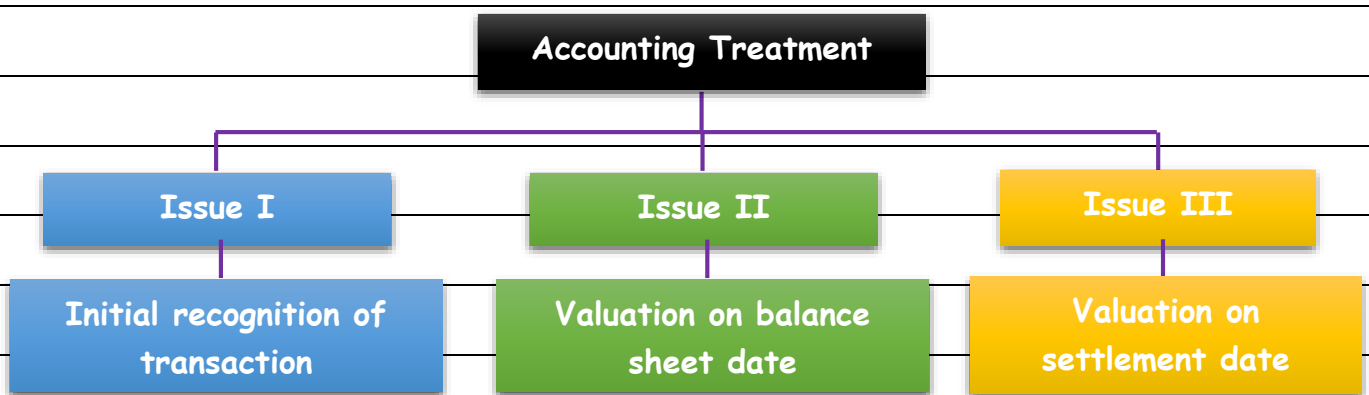
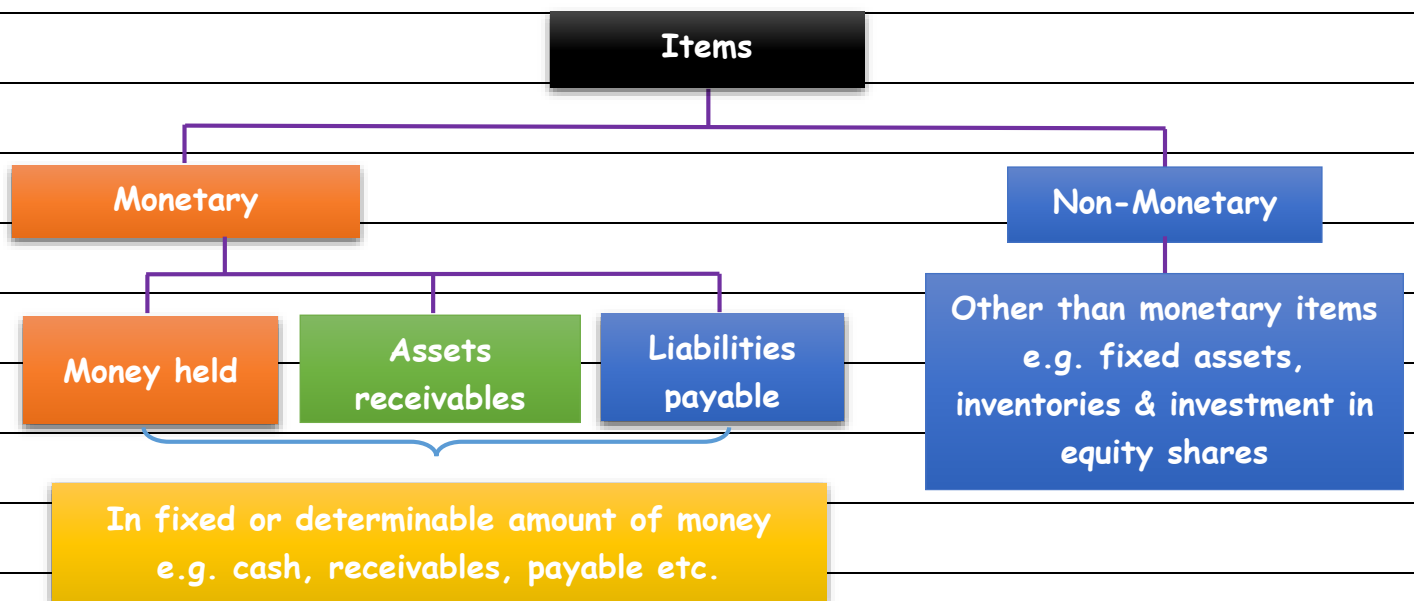
Exchange difference arising from borrowings adjustment to interest costs (AS 16)

Restatement into other currency for users convenience

CONCEPT 3 : PART I : FOREIGN CURRENCY TRANSACTIONS

A transaction which is denominated in / requires settlement in foreign currency & includes

1. Buying & selling goods & service
2. Borrowing & lending of funds
3. Acquisition or disposition of assets & incurring or settlement of liabilities
4. Party to unperformed forward exchange contract

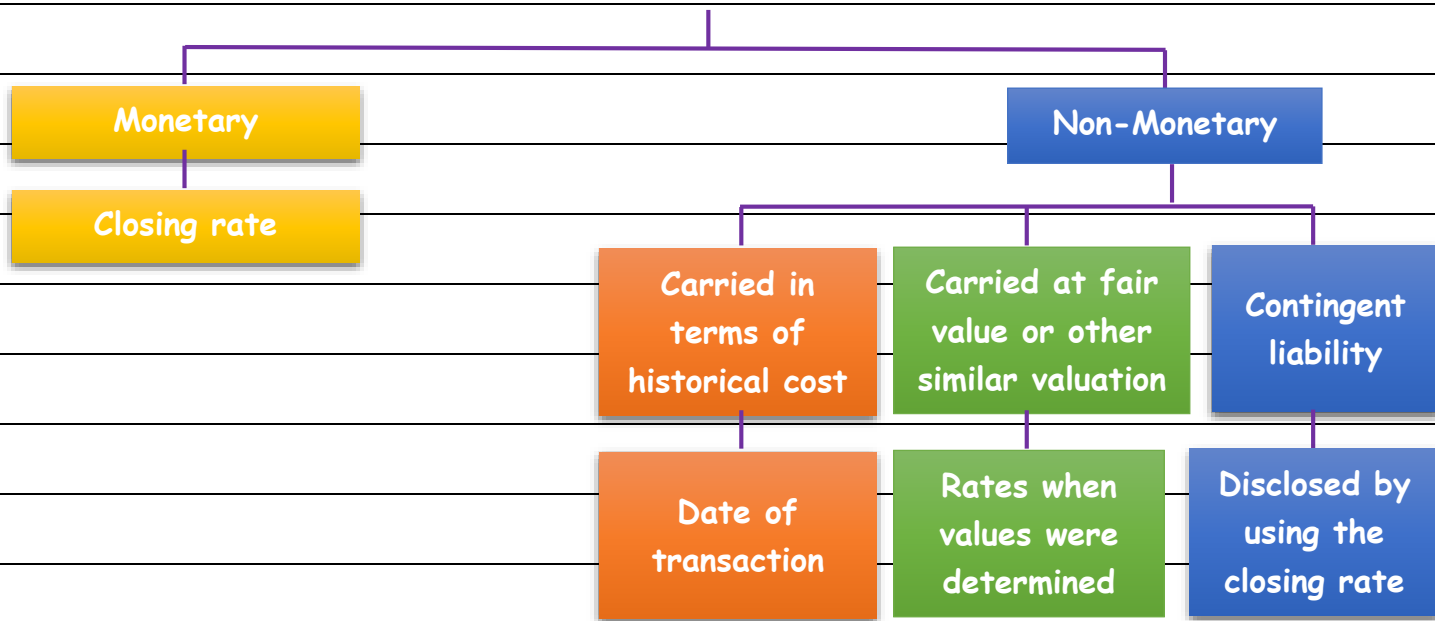


Issue I → Initial recognition

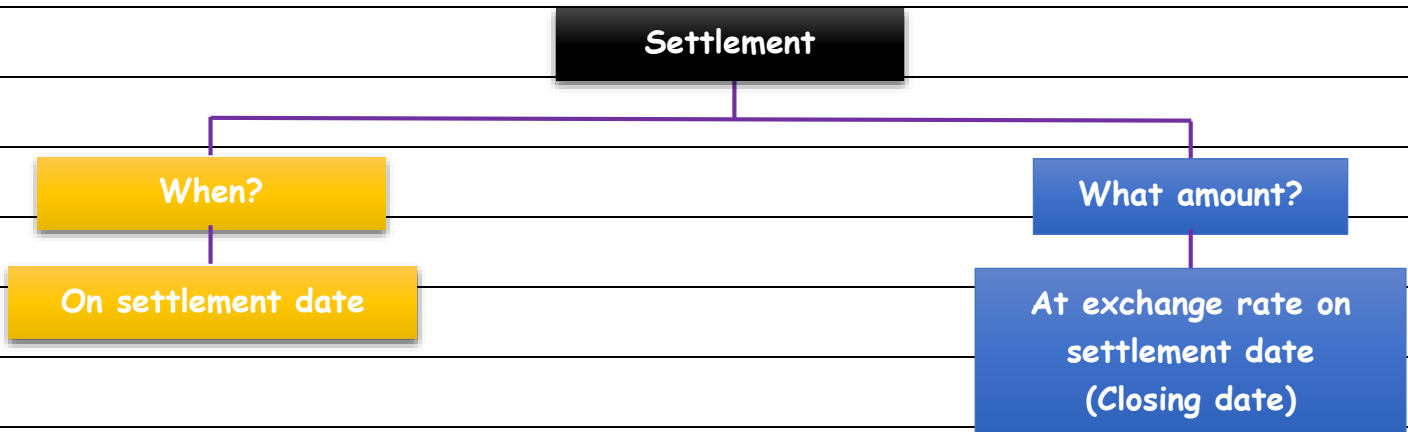
When → On transaction date

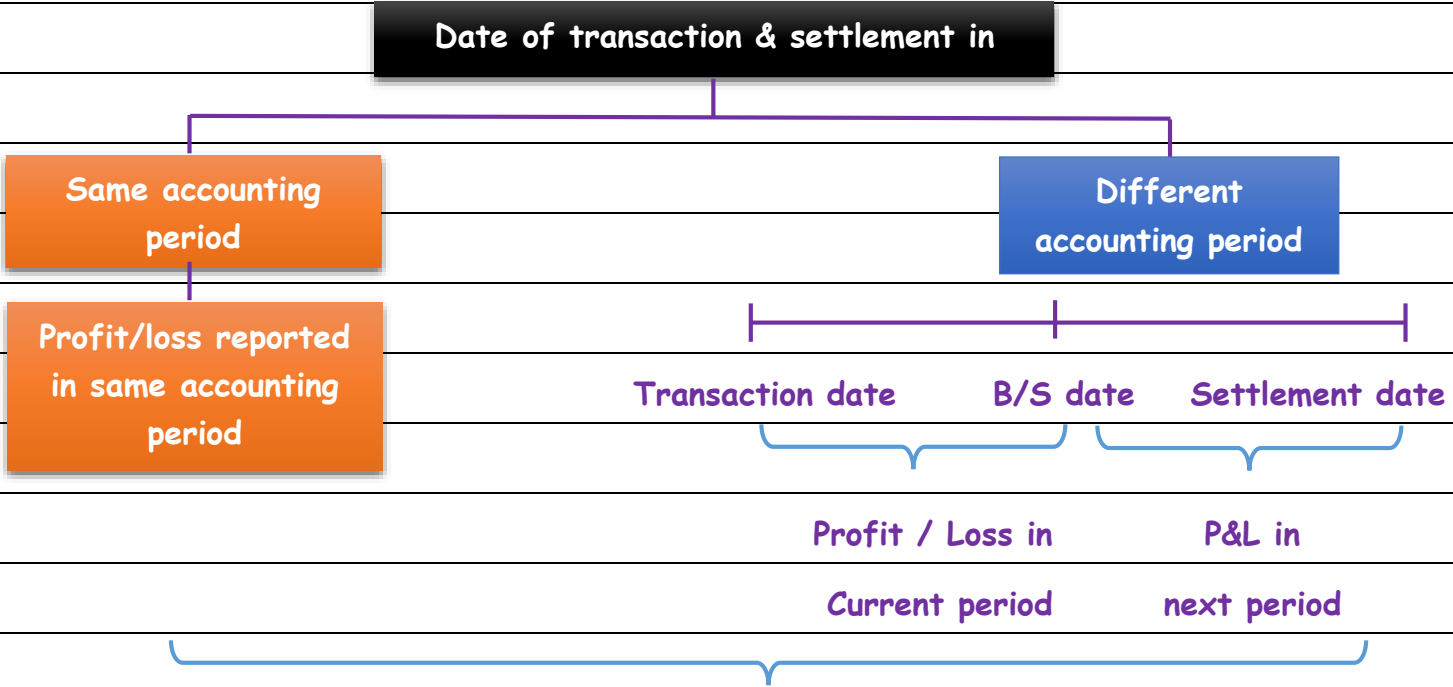
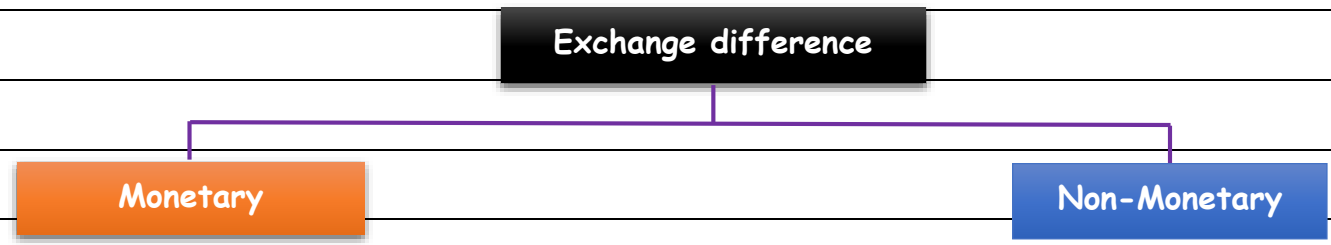
What amount → At exchange rate on transaction date (Spot rate)

Issue II : Reporting at balance sheet date

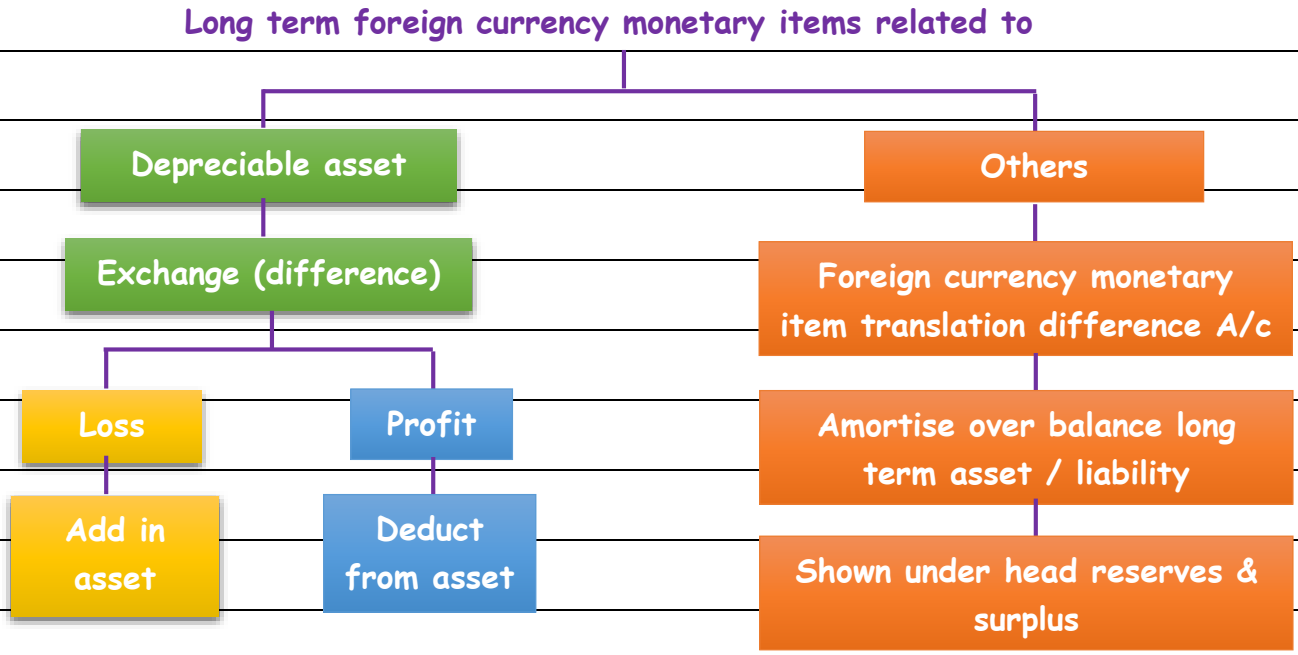


Issue III : Valuation on settlement rate





Exception (para 46 A)



e.g. 1 : Asset is purchased for \$4 when exchange rate \$1 = Rs.50

@ end of	Exchange rate
Year 1	\$1 = Rs.55
Year 2	\$1 = Rs.58

Life of asset is 5 years

Assume :- Amount payable after 5 years

Year	Particulars		Rs.	Rs.
0	Asset A/c	Dr.	200	
	To Loan A/c / Crs A/c			200
1	Asset A/c (\$4 * Rs. 5 (loss))	Dr.	20	
	To Loan A/c			20
1	Depreciation A/c	Dr.	44	
	To Asset A/c			44
2	Asset A/c	Dr.	12	
	To Loan A/c			12
2	Depreciation A/c	Dr.	47	
	To Asset A/c			47

e.g. 2 : Loan is borrowed for \$4 when exchange rate \$1 = Rs.50

@ end of	Exchange rate
Year 1	\$1 = Rs.55
Year 2	\$1 = Rs.58

Loan is repaid after 5 years

Year	Particulars		Rs.	Rs.
0	Cash A/c	Dr.	200	
	To Loan A/c			200
1	FCMITD A/c	Dr.	20	
	To Loan A/c			20
1	P&L A/c (20/5)	Dr.	4	
	To FCMITD A/c			4
2	FCMITD A/c	Dr.	12	
	To Loan A/c			12
2	P&L A/c	Dr.	7	
	To FCMITD A/c			7

+		FCMITD A/c		-
Particulars	Rs.	Particulars	Rs.	
To Loan A/c	20			
		By P&L A/c	4	
		By Bal c/d *	16	
	20		20	
To Bal b/d	16			
To Loan	12			
		By P&L (28/4)	7	
		By Bal c/d	21	
	28		28	

CONCEPT 4 : PART II FORWARD EXCHANGE CONTRACT (FEC)



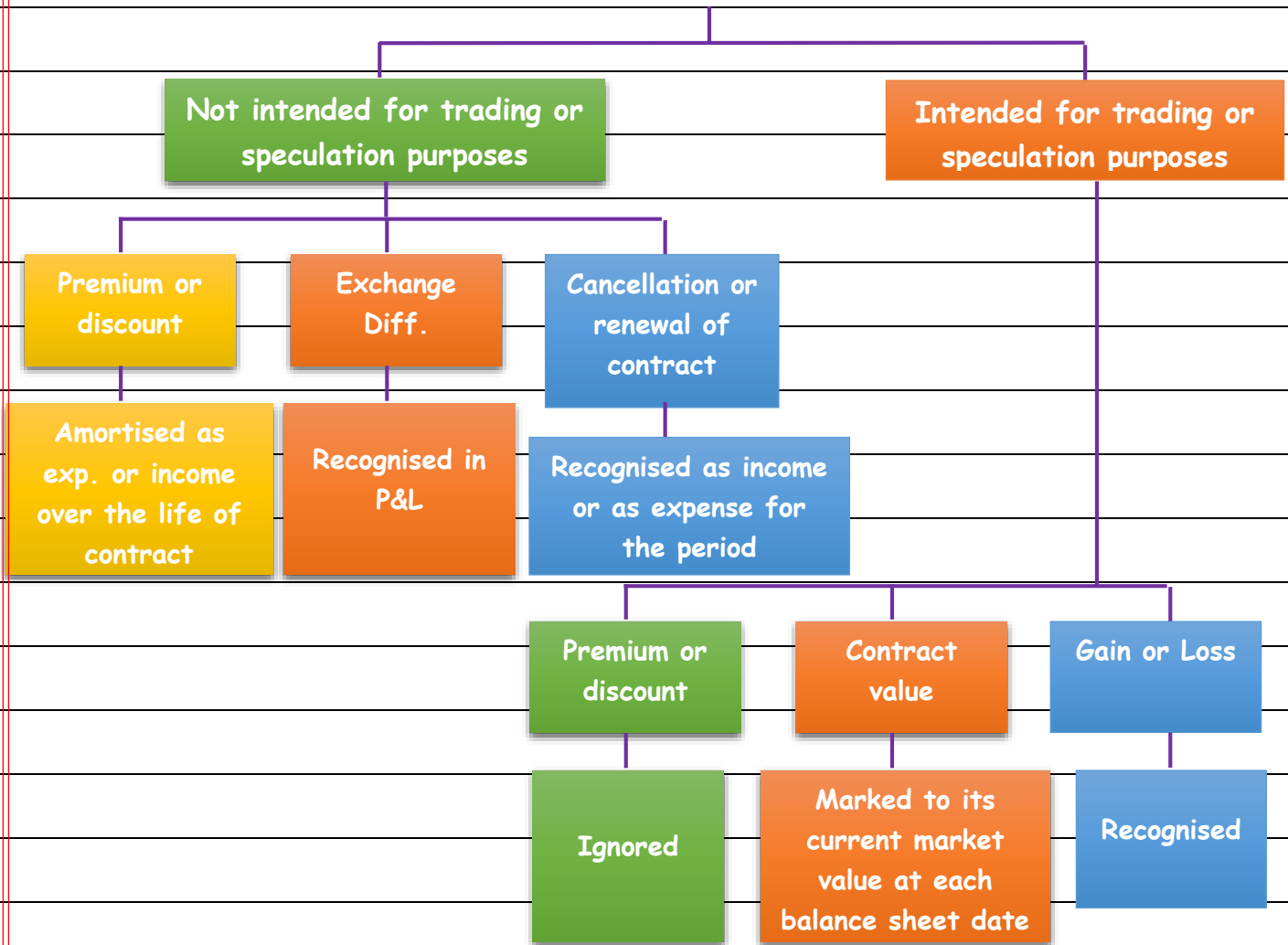
Agreement to exchange different currencies

at a **forward rate**



Specified exchange rate for exchange of 2 currencies at specified future date

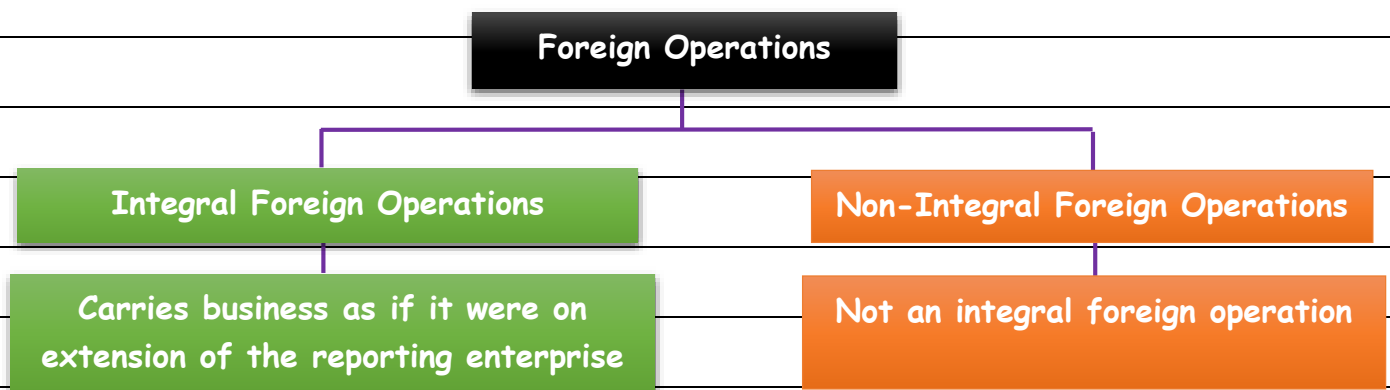
Forward exchange contract or another financial instrument



CONCEPT 5 : PART III FOREIGN OPERATIONS (FO)



Activities of which are based or conducted in a country
Other than country of reporting enterprise



Translation of Integral Foreign Operation (IFO)

Item	Exchange rate
Nominal A/c	Average rate
Monetary items like cash, debtors, creditors	Closing rates
Non-monetary items F.A., share capital, long term liabilities	Date of purchase / issue

Translation of Non-Integral Foreign Operation (NIFO)

Item	Exchange rate
Nominal A/c	Average rate
Monetary items	Closing rates
Non-monetary items	Closing rates

Integral to Non-Integral



Translation procedure of NIFO prospectively



Exchange difference on translation of non-monetary assets
at the date of reclassification accumulated in FCTR

Non-Integral to Integral



Translation procedure of IFO prospectively



Translated amount of non-monetary item at the date of change treated
as historical cost



Exchange difference in FCTR -

Not recognised as income or expense till disposal of operation even if integrated