

Advanced Business Manager Pty Ltd

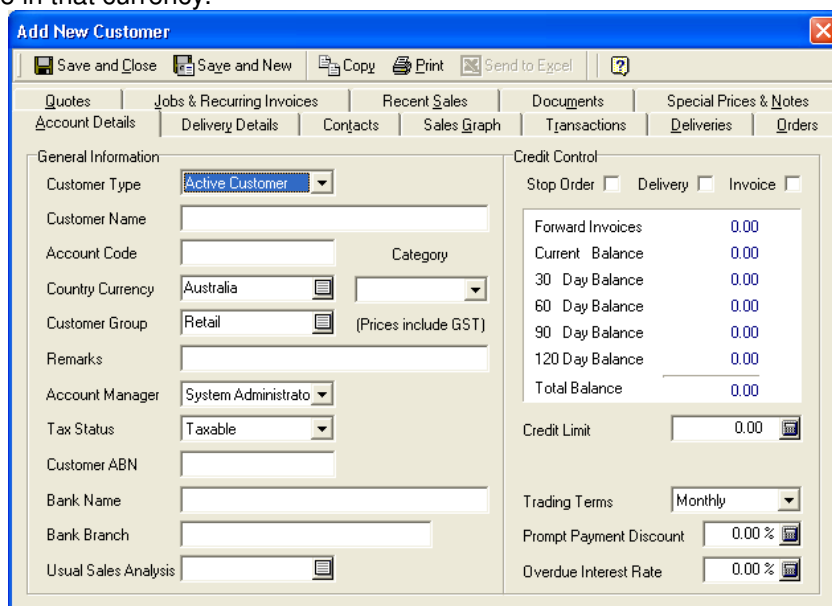


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Support Bulletin # 01 FOREIGN CURRENCY TRANSACTIONS

Each supplier & customer has a 'Country Currency' field. This defaults to the country of the company database, however is selectable at the time of setting up a new supplier or customer. Once a supplier or customer has been set this cannot be changed and all transactions processed for that supplier or customer will be in that currency.



Transaction Process

When you process a transaction in ABM to a foreign customer or from a foreign supplier then the amount in foreign currency is placed in ForeignGross, ForeignTax and Foreign Net. The amount posted to LocalGross, LocalTax and LocalNet is the foreign amount divided by the exchange rate chosen. The exchange rate used for the transaction is stored in the field ExchangeRate.

Example

Process Purchase invoice for US\$ 600 exchange rate 0.60

LocalGross	LocalTax	LocalNet	ForeignGr	ForeignTax	ForeignNet	Exchange Rate
-1000	0	-1000	-600	0	-600	0.60

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The screenshot shows the 'Sales Invoices' application window. The 'Product Line Item' tab is active. The 'Product Code' is 12100, 'Description' is 'Advance Pentium II', and 'Quantity' is 1. The 'Price inc. GST' is 600.00. The 'Delivery' date is 23/05/2003. The 'GST Code' is 'Exempt Customer'. A table below shows the line item details:

Code	Description	Quantity	Price	Discount	Exc. GST	GST	Inc. GST
12100	Advance Pentium II	1	600.00	0.00	600.00	0.00	600.00

At the bottom, the 'JS\$ Totals' are shown as 0.00, 600.00, 0.00, and 600.00.

Exchange Rate

The exchange rate that will be used for a foreign currency transaction is the rate stored in ICurrencies table (as displayed in the Currencies section) unless the user decides to change the rate at the time of processing the transaction. The rate can be changed by selecting "Options " within the transaction screen and selecting "Change Exchange Rate"

The 'Foreign Exchange Rate' dialog box contains the following text: "The exchange rate entered below will be applied to this transaction alone and will not affect other transactions. You and your customer may choose to hedge against fluctuating exchange rates by agreeing to fix the rate at which payment is made for this transaction at the rate entered below. This is done by ticking the box below." Below this text is a text box for 'Bank Buying Rate' containing the value 0.6 and a checkbox for 'Rate is Fixed' which is currently unchecked. There are 'Cancel' and 'OK' buttons at the bottom.

Rate is Fixed is used when 'hedging' this transaction.

Revaluation of Exchange Rates

When the exchange rate is changed then ABM will look at the outstanding transactions (unpaid transactions) and calculate a potential gain or loss on that transaction. The potential gain or loss is stored in the field Unrealised. The postings relating to the original transaction do not change. Therefore the change in the transheader in relation to the above transaction if the rate changes to 0.5 is as follows.

LocalGross	LocalTax	LocalNet	ForeignGr	ForeignTax	ForeignNet	Exch Rate	Unrealised
-1000	0	-1000	-600	0	-600	0.60	-200

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In this case we have made a potential loss since we will have to pay more AU\$ if we remit the US\$ 600 to our supplier.

The total local amount due is therefore LocalNet Plus Unrealised = 1200.00.

The posting would be	DR	CR
Unrealised Gain/Loss Account	200.00	
Creditors Control		200.00

The rates can be changed by going into Accounts, Currencies and selecting Update Exchange Rates from the Transaction Toolbar. Enter the appropriate rate and select Save & Apply Changes – the system calculates the changes on all outstanding foreign currency transactions for the currencies updated.

Country	Currency	Bank Buy Rate (for sales)	Bank Sell Rate (for purchases)	Unrealised Gain	Unrealised Loss	Realised Gain	Realised Loss
Euro	€	0.666667	0.666667				
USA	US\$.55		51.89			
UK	£	0.371040	0.367440				
Denmark	DKK	4.491600	4.461000				
Sweden	CHF	5.478000	5.467140				
Malaysia	\$RM	2.005740	2.004120				
Indonesia	IDR	4959.359863	4958.879883				
New Zealand	NZ\$	1.202580	1.201380				
Singapore	S\$	0.970980	0.969180				
Japan	¥	69.491997	69.132004				
South Korea	Won	0.000000	0.000000				
Sri Lanka	Rp	0.000000	0.000000				
				51.89	0.00	0.00	0.00

Payment of Transaction

When the transaction is paid the unrealised gain together with any additional gain/loss is transferred to the realised account and the amount stored in the field Realised. Therefore if the above payment was made at the exchange rate of 0.55 then the AU\$ amount would be 1090.91 The total loss in this instance is \$ 90.91 (we anticipated a loss of \$ 200 due to the last change in exchange rate therefore the loss is now reduced to \$ 90.91 since the exchange rate has improved.)

The postings will be as follows

	DR	CR
Creditors Control	1,200.00	
Unrealised gain/loss account		200.00
Bank Account		1,090.91
Realised gain/loss account	90.91	
	-----	-----
	1,290.91	1,290.91

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Note that the debit to the Creditors Control is \$ 1,200.00 and not \$ 1000 the reason is that the balance due to the supplier in local currency terms reflected the amount due since the last change in the exchange rate (US\$ 600 / 0.5 = AU\$ 1,200.00). The credit to the unrealised account is the amount we have already provided as the anticipated loss on this transaction.

At the time of selecting save when processing a foreign currency receipt or payment a dialog box will appear prompting for the actual rate for that transaction.

A screenshot of a software dialog box titled "Currency Conversion for My New US\$ Customer". The dialog box contains a table with the following data:

Amount Received	US\$	600.00
Bank Buying Rate		0.5
Converted Amount	AU\$	1,200.00
Less Bank Charges	AU\$	0.00
Net to Bank Account	AU\$	1,200.00

At the bottom of the dialog box are two buttons: "Cancel" and "OK".

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