

G/L ACCOUNT SETUP AND EXCHANGE RATE PROCESS

Additional Reporting Currency

Financial Management, Setup, General Ledger Setup Table

Here you can specify the currency that will be used as an additional reporting currency in the general ledger application area. To see the currency codes in the Currency table, click the AssistButton to the right of the field.

If you specify an additional reporting currency in this field, the program will then automatically record amounts in both LCY (\$) and this additional reporting currency on each G/L entry and on some other entries, such as tax entries. When the program calculates G/L entry amounts in an additional reporting currency, the program uses the information from the Currency Exchange Rate table to find the relevant exchange rate.

The rate is determined from the applicable currencies Exchange Rate table. The rate applicable is determined by filtering all related currency exchange rates up to and including the transactions posting date. The latest rate is used.

If you specify that you want the program to record all G/L transactions in an additional reporting currency, you can do the following in either LCY (\$) or the additional reporting currency:

- Create financial statements
- See various G/L reports
- Create tax and INTRASTAT reports

In addition to specifying the additional reporting currency, you must also specify four accounts, one in each of the following fields in the Currency table: Realized G/L Gains Account, Realized G/L Losses Account, Residual Gains Account and Residual Losses Account.

G/L Account Setup

The G/L Account Table, Exchange Rate Adjustment Field

If you post in an additional reporting currency, you can specify in this field how G/L accounts will be adjusted for exchange rate fluctuations between \$ and the additional reporting currency.

Exchange rate gains and losses are first posted when you run the Adjust Exchange Rates batch job. When you run the Adjust Exchange Rates batch job, the program finds the adjustment exchange rate in the Currency Exchange Rate table and then compares the amounts in the Amount and Additional-Currency Amount fields on the G/L entry to determine if there is an exchange rate gain or loss.

The batch job uses the option you select in this field to determine whether to calculate and post exchange rate gains or losses for G/L accounts.

You can select one of three options:

- No Adjustment*** The program assigns this option as a default. No exchange rate adjustment is made to the G/L account for either LCY (\$) or the additional reporting currency amount.
- Adjust Amount*** If you select this option, the LCY (\$) amount will be adjusted for any exchange rate gains or losses. The program will post any exchange rate gains or losses to the G/L account (the Amount field) and to the accounts you specified for gains or losses in the Realized G/L Gains Account or Realized G/L Losses Account fields in the Currency table.
- Adjust Additional-Currency Amount*** If you select this option, the additional reporting currency will be adjusted for any exchange rate gains or losses. The program will post any exchange rate gains or losses to the G/L account (the Additional-Currency Amount field) and to the accounts you specified for gains or losses in the Realized G/L Gains Account or Realized G/L Losses Account fields in the Currency table.

General rules to follow

When using additional currency

The following guidelines can be followed to provide assistance with determining the required setup of a G/L Account in relation to maintaining the additional reporting currency.

1. GL Account is a general balance sheet account without an associated sub ledger
 - Not a control account with a sub ledger such as a Bank, Customer or Vendor;
 - Not an Income Statement Account
 - Transacted in a single currency, whether that is the LCY (\$) or the same currency as the Additional Reporting Currency
- 1.1. Transaction currency for the G/L Account is LCY (\$)

The G/L Account should be setup with an “Exchange Rate Adjustment” field set to ‘Adjust Additional-Currency Amount’. This will ensure that at the end of the period when the adjust exchange rate batch report is ran the related Additional Reporting Currency amount will be updated based on the month end rate.
- 1.2. Transaction currency for the G/L Account is Additional Reporting Currency

The G/L Account should be setup with an “Exchange Rate Adjustment” field set to ‘Adjust Amount’. This will ensure that at the end of the period when the adjust exchange rate batch report is ran the related Amount will be updated based on the month end rate and the applicable additional reporting currency balance.
2. GL Account is a bank, customer control or vendor control account with an associated bank, customer or vendor card
- 2.1. Bank/Customer/Vendor card currency for the accounts are set as LCY (\$) {Blank currency}

The G/L Account should be setup with an “Exchange Rate Adjustment” field set to ‘Adjust Additional-Currency Amount’. This will ensure that at the end of the period when the adjust exchange rate batch report is ran the related Additional Reporting Currency amount will be updated based on the month end rate.
- 2.2. Bank/Customer/Vendor card currency for the accounts are set as the same currency code as Additional Reporting Currency

The G/L Account should be setup with an “Exchange Rate Adjustment” field set to ‘No Adjustment’. At the end of the period when the adjust exchange rate batch report is ran, as long as the option “Adjust Customer, Vendor and Bank Accounts” is selected the associated G/L Account LCY (\$) balance will be adjusted automatically.

3. GL Account is an income statement account or an account that is presumed to be recorded with historical additional reporting currencies

- 3.1. Transaction currency for the G/L Account is not a factor

The G/L Account should be setup with an "Exchange Rate Adjustment" field set to 'Adjust Additional-Currency Amount'. This will ensure that at the end of the period when the adjust exchange rate batch report is ran the related Additional Reporting Currency amount will be updated based on the month end rate.

All Income Statement accounts are generally set as No Adjustment as the varying rates are assumed to be maintained as historical. The thing to remember is that if the accounts LCY (\$) amount is 0 at the end of a reporting period (month, quarter or year) there is a chance that the account may have an additional reporting currency not equal to zero.

To have these accounts update and assign the additional reporting currency to zero the account "Exchange Rate Adjustment" setting can be changed to "Adjust Additional-Currency Amount". This will allow the system to calculate and post the adjustment to the accounts Additional Reporting Currency amount field and zero this field with an offset amount to the realized Gains or loss accounts.

Caution!

Please be aware that changing this field setting mid way through a year can cause un-expected results. If you had been publishing statements for prior periods with one method then changed;

- *To have the prior periods reflect this change the adjust exchange process would need to be re-ran per period prior.*
 - *If using consolidation, all period consolidations would need to be re-run.*
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Adjust Exchange Rates Batch Job

Purpose

The Adjust Exchange Rates batch job can be used to adjust G/L, customer, vendor and bank account entries to reflect a more updated balance if the exchange rate has changed since the entries were posted.

Customers and Vendors

For customer and vendor accounts, the batch job adjusts the currency using the exchange rate that is valid on the posting date specified in the batch job. The batch job calculates the differences for the individual currency balances and posts the amounts to the G/L account specified in the Unrealized Gains Acc. field or the Unrealized Losses Acc. field in the Currency table. Balancing entries are automatically posted to the receivables/payables account in the general ledger.

The batch job processes all open customer ledger entries and vendor ledger entries. If there is an exchange rate difference for an entry, the batch job creates a new detailed customer or vendor ledger entry which reflects the adjusted amount on the customer or vendor ledger entry.

Dimensions on Customer/Vendor Entries

The adjustment entries are assigned the dimensions from the customer/vendor ledger entries, and the adjustments are posted per combination of dimension values.

Bank Accounts

For bank accounts, the batch job adjusts the currency using the exchange rate that is valid on the posting date specified in the batch job. The batch job calculates the differences for each bank account that has a currency code and posts the amounts to the G/L account specified in the Realized Gains Acc. field or the Realized Losses Acc. field in the Currency table. Balancing entries are automatically posted to the G/L bank accounts that are specified in the bank account posting groups. The batch job calculates one entry per currency per posting group.

Dimensions on Bank Account Entries

The adjustment entries for the bank account's G/L account and for the gain/loss account are assigned the bank account's default dimensions.

G/L Accounts

If you post in an additional reporting currency, you can have the batch job create new general ledger entries for currency adjustments between LCY (\$) and the additional reporting currency. The batch job calculates the differences for each G/L entry and adjusts the G/L entry depending on the contents of the Exchange Rate Adjustment field for each G/L account.

Dimensions on G/L Account Entries

The adjustment entries are assigned the default dimensions from the accounts they are posted to.

Attention

Before you can use the batch job, you must enter the adjustment exchange rates that will be used to adjust the foreign currency balances. You do so in the Currency Exchange Rates window, which is a sub-table to the Currencies window.

Exchange rate adjustments can be made several times, and the rates will always be adjusted in relation to the rate used in the preceding adjustment.

You can define what is included in the batch job by setting filters. You can set additional fields on the tab by clicking the Field field, and then clicking the AssistButton that appears to the right. You can also determine how the batch job is processed by filling in the fields on the Options tab. Fill in the fields as follows:

Currency

Code

Enter the currencies for which balances will be adjusted. To see the existing currency codes, click the Filter field, and then click the AssistButton that appears to the right.

Click the up-arrow at the lower left-hand corner of the window to see the result of the filters you have defined for the table.

Options

Starting Date

This field is normally left blank, but you can enter a date to specify the beginning of the period for which entries will be adjusted.

Ending Date

Enter the last date for which entries will be adjusted. This date is normally the same as the posting date in the Posting Date field.

Posting Description

Here you can enter a text for the G/L entries that will be created by the batch job. The default text is Exchange Rate Adjmt. of %1 %2 in which %1 is replaced by the currency code and %2 is replaced by the currency amount that is adjusted (for example, Exchange Rate Adjmt. of DEM 38,000).

Posting Date

Enter the date on which the G/L entries will be posted. This date is usually the same as the ending date in the Ending Date field.

Document No

Enter a document number that will appear on the G/L entries created by the batch job.

Adjust Customer, Vendor and Bank Accounts

Place a check mark in this field if you want to adjust customer, vendor and bank accounts for currency fluctuations.

Adjust G/L Accounts for Add.-Reporting Currency

Place a check mark in this field if you post in an additional reporting currency and you want to adjust G/L accounts for currency fluctuations between \$ and the additional reporting currency.

Click OK to start the batch job. If you do not want to run the batch job now, click Cancel to close the window.

Setup and processing example

Purpose

The following is an example of the setup and process using CRONUS.

Scenario

CRONUS USA Inc is setting up two new Long-term loans that are not associated with a bank card. One account is held in the LCY which is USD, and another for CAD Long-term loans.

CRONUS USA is provided Term Loans from a private individual without a vendor record:

- Suitcase containing cash of 1,000,000 USD
- Suitcase containing cash of 1,000,000 CAD

CAD Example Exchange Rates Are

- Jan 08 1 CAD is = 1.00 USD
- Feb 08 1 CAD is = 0.90 USD
- Mar 08 1 CAD is = 0.80 USD

The Balance Sheet, Posting GL Accounts would be setup as follows:

No.	Name	Exchange Rate Adjustment
25050	CAD Long-term Loans (Other)	Adjust Amount
25075	LCY Long-term Loans (Other)	Adjust Additional-Currency Amount

CASH Cash receipts and payments - General Journal

Batch Name CASH

Posting D...	D... Documen...	A... Account No.	Description	Currency Code	Amount	B... Bal. Acco...
01/15/08	G00001	G.. 25050	CAD Long-tem Loans (Other)	CAD	-1,000,000.00	G..
01/15/08	G00001	G.. 11200	Cash	CAD	1,000,000.00	G..
01/15/08	G00002	G.. 25075	LCY Long-term Loans (Other)		-1,000,000.00	G..
01/15/08	G00002	G.. 11200	Cash		1,000,000.00	G..

Account Name: Cash Bal. Account Name: Balance: 0.00 Total Balance: 0.00

Line Account Functions Posting Help

After running the Exchange Rate Adjustments on the following dates the following effects would be evident:

- Jan 08 – No change

- Feb 08 and Mar 08:

25000	Long-term Liabilities	No Adjustment	Balan... Begi...				
25050	CAD Long-tem Loans (Other)	Adjust Amount	Balan... Pos...	-800,000.00	-800,000.00	-1,000,000.00	-1,000,000.00
25075	LCY Long-term Loans (Other)	Adjust Additional-Currency Am...	Balan... Pos...	-1,000,000.00	-1,000,000.00	-1,250,000.00	1,250,000.00

Posting D...	D...	Documen...	G/L Acco...	Description	Amount	Additional-Cur...	Entry No.
01/15/08		G00001	25050	CAD Long-tem Loans (Other)	-1,000,000.00	-1,000,000.00	2106
02/29/08	FEB 08		25050	Exchange Rate Adjmt. of CAD -1,000,000	100,000.00	0.00	2110
03/31/08	MAR 08		25050	Exchange Rate Adjmt. of CAD -1,000,000	100,000.00	0.00	2114
01/15/08		G00002	25075	LCY Long-term Loans (Other)	-1,000,000.00	-1,000,000.00	2108
02/29/08	FEB 08		25075	Exchange Rate Adjmt. of -1,000,000	0.00	-111,111.11	2111
03/31/08	MAR 08		25075	Exchange Rate Adjmt. of -1,000,000	0.00	-138,888.89	2115

Liability Accounts

80700	GAINS AND LOSSES	No Adjustment	Inco... Begi...				
80800	Unrealized FX Gains	No Adjustment	Inco... Pos...	0.10	0.10	0.14	0.14
80900	Unrealized FX Losses	No Adjustment	Inco... Pos...	2,317.57	2,317.57	2,804.21	2,804.21
81000	Realized FX Gains	No Adjustment	Inco... Pos...	-200,000.00	-200,000.00	250,000.00	250,000.00

Posting D...	D...	Documen...	G/L Acco...	Description	Amount	Additional-Cur...	Entry No.
02/29/08	FEB 08		81000	Exchange Rate Adjmt. of CAD -1,000,000	-100,000.00	0.00	2112
02/29/08	FEB 08		81000	Exchange Rate Adjmt. of -1,000,000	0.00	111,111.11	2113
03/31/08	MAR 08		81000	Exchange Rate Adjmt. of CAD -1,000,000	-100,000.00	0.00	2116
03/31/08	MAR 08		81000	Exchange Rate Adjmt. of -1,000,000	0.00	138,888.89	2117

Gains/Loss Accounts