



# Month End Exchange Rate Functionality in Exo Business

By

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## Month End Exchange Rate Functionality in Exo Business

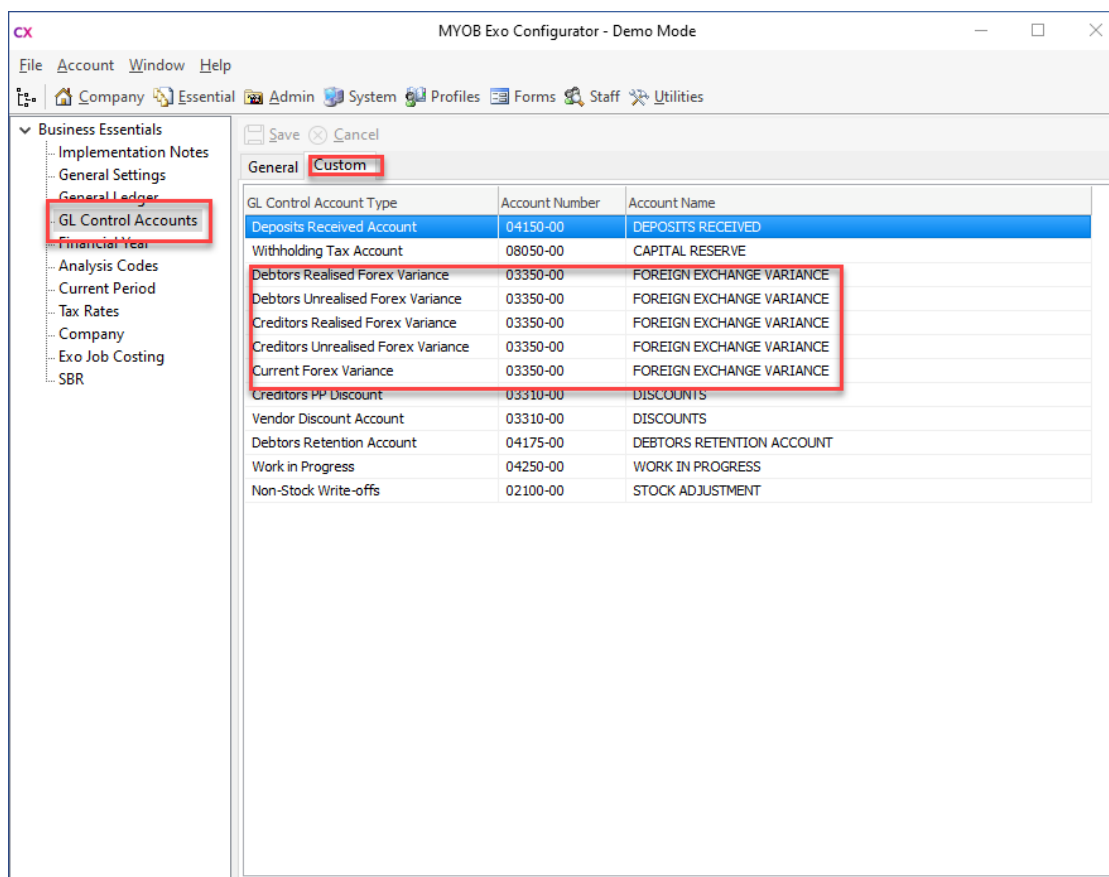
Foreign Exchange (FX) functionality allows transactions to be captured in a foreign currency and then converted to AUD when recorded in Exo. The guide below is a summary of how the FX rate functionality works and where in Exo to find the necessary options.

### Setup

FX will only function in Exo when the '**Operate in multiple currencies**' option is enabled. To do so, in the configurator click on the Essential button, then General Settings and then enable the Operate in multiple currencies checkbox

You now need to set the Control Accounts for the foreign currency postings. Stay on 'Essential' in the Configurator and select the GL Control Accounts option on the left and then the Custom tab at the top. You will see from the screen shot below that there are 5 control accounts relating to FX postings.





Please note: although the image above shows the same GL account for all 5 control accounts, it is recommended that you do not do this as it makes analysis of the postings to the account much more difficult. Instead use 5 separate GL accounts, or utilize sub accounts, to separate out the postings.

*Before we explain the 5 FX related control accounts, there are 2 concepts that are worth mentioning first and they are the concepts of realised FX variances and unrealised FX variances.*

### **Realised FX Variance**

*A realised FX variance is one that is recorded when the transaction is completed. For example any gain or loss between the FX rate on a foreign currency creditor invoice and the rate when the invoice is paid is a realised gain or loss as the payment of the invoice is the completion of the transaction.*

### **Unrealised FX Variance**

*An unrealised FX variance is a variance that occurs when the transaction is not completed at period end and the FX rate at period end has changed since invoice date. For example a creditor invoice that is outstanding at period end but the FX rate on the invoice does not reflect the current market FX rate. In this instance the creditor invoice is "revalued" for accounting purposes to the current market rate and the variance between the current market rate and the original transaction rate is an unrealised gain or loss (it is unrealised because the transaction has not been completed ie paid).*

*Please note that revaluing your foreign currency denominated debtors, creditors and GL Accounts is not mandatory in Exo and its use is a business decision, however, such revaluations comply with accounting standards. However, its use is recommended as it provides greater accuracy in the valuation of foreign currency denominated transactions in the P&L and Balance Sheet.*

The 5 control accounts are as follows

#### Debtors Realised Forex Variance

This is the value in AUD of the difference between the debtors invoice exchange rate and the debtors payment exchange rate multiplied by the invoice value.

The value of this transaction would normally be charged to the P&L, hence this control account should be a P&L account.

The typical entry would be:

<b>Debit</b>	Bank	The value of the invoice in foreign currency converted to AUD at the receipt rate
<b>Credit</b>	Debtors	The value of the invoice in foreign currency converted to AUD at the invoice rate
<b>Debit/Credit</b>	Debtors Realised Forex Variance control account	The difference between the AUD amount of the invoice and the AUD amount of the payment. If the AUD value received is greater than the AUD value of the invoice, then this is a gain and would be a credit to this account.

#### Debtors Unrealised Forex Variance

This is the value in AUD of the difference between the debtors invoice exchange rate and the period end exchange rate multiplied by the invoice value.

The value of this transaction would normally be charged to the P&L, hence this control account should be a P&L account.

The typical entry would be:

<b>Debit/Credit</b>	Debtors	The difference between the AUD amount of the invoice at the invoice rate and the AUD amount of the invoice at the period end rate. If the AUD value at period end rate is greater than the AUD value at the invoice rate, then this is a gain and would be a debit to increase the value of the debtors control account.
<b>Credit/Debit</b>	Debtors Unrealised Forex Variance control account	The difference between the AUD amount of the invoice at the invoice rate and the AUD amount of the invoice at the period end rate. If the AUD value at period end rate is greater than the AUD value at the invoice rate, then this is a gain and would be a gain which is a credit to the debtors unrealised forex variance control account.

*Please note: unrealised FX gains and losses are calculated at the end of each period based on the value of invoices still outstanding at the end of the period. Exo treats these entries as reversing journals, therefore you can expect that there is an entry to record the unrealised FX variance at the end of the period and then the system will reverse the entry at the beginning of the following period.*

*Please note the following:*

1. Only invoices with an outstanding balance will be revalued at the end of the period
2. Unallocated payments are not revalued
3. Use of the revaluing debtors function at the end of the period is optional but encouraged.

### **Creditors Realized Forex Variance**

This is the value in AUD of the difference between:

1. (if purchasing inventory via purchase order) the FX value of the costing (derived from the purchase order) at the costing FX rate and the FX value of the costing at the creditors invoice exchange rate [costing should be at invoice rate? Fx gain/loss should be diff between invoice and payment FX rate not costing and invoice FX rate?]
2. the creditors invoice exchange rate and the creditors payment exchange rate multiplied by the invoice value.

The value of this transaction would normally be charged to the P&L, hence this control account should be a P&L account.

The typical entry for a creditors invoice matched to a costing would be:

<b>Debit</b>	Stock Clearing Account	The value of the invoice in foreign currency converted to AUD at the costing rate
<b>Credit</b>	Creditors	The value of the invoice in foreign currency converted to AUD at the payment rate
<b>Debit/Credit</b>	Creditors Realised Forex Variance control account	The difference between the AUD amount of the invoice and the AUD amount of the costing. If the AUD value costing is less than the AUD value of the invoice, then this is a loss and would be a debit to this account.

The typical entry for paying creditors invoices would be:

<b>Debit</b>	Creditors	The value of the invoice in foreign currency converted to AUD at the invoice rate
<b>Credit</b>	Bank	The value of the invoice in foreign currency converted to AUD at the payment rate
<b>Debit/Credit</b>	Creditors Realised Forex Variance control account	The difference between the AUD amount of the invoice and the AUD amount of the payment. If the AUD value paid is greater than the AUD value of the invoice, then this is a loss and would be a debit to this account.

### Creditors Unrealised Forex Variance

This is the value in AUD of the difference between the creditors invoice exchange rate and the period end exchange rate multiplied by the invoice value.

The value of this transaction would normally be charged to the P&L, hence this control account should be a P&L account.

The typical entry would be:

<b>Credit/Debit</b>	Creditors	The difference between the AUD amount of the invoice at the invoice rate and the AUD amount of the invoice at the period end rate. If the AUD value at period end rate is greater than the AUD value at the invoice rate, then this is a loss and would be a credit to increase the value of the creditors control account.
<b>Debit/Credit</b>	Creditors Unrealised Forex Variance control account	The difference between the AUD amount of the invoice at the invoice rate and the AUD amount of the invoice at the period end rate. If the AUD value at period end rate is greater than the AUD value at the invoice rate, then this is a loss and would be a debit to the creditors unrealised forex variance control account

*Please note: unrealised FX gains and losses are calculated at the end of each period based on the value of invoices still outstanding at the end of the period. Exo treats these entries as reversing journals, therefore you can expect that there is an entry to record the unrealised FX variance at the end of the period and then the system will reverse the entry at the beginning of the following period.*

*Please note the following:*

1. Only invoices with an outstanding balance will be revalued at the end of the period
2. Unallocated payments are not revalued
3. Use of the revaluing creditors function at the end of the period is optional but encouraged.

### Current Forex Variance

This is to revalue foreign currency denominated GL accounts, typically used for foreign currency bank accounts.

You can check whether a GL account is in a foreign currency by opening the account in the GL and checking the currency assigned to the account (see screen shot below)

**EB General Ledger Account Details**

File Navigate Help

New Save Save & Exit Cancel Print K < > > | \$ AUD Actions

**A/c No:** 4050 **Name:** US BANK ACCOUNT **AUD**

Details Transactions Budget Notes History Notes Documents Analysis

**Account Details**

Account no: 4050

Account name: US BANK ACCOUNT

Report code: BANK

Account group: Current Assets

Debit/credit: ☒ Usual Debit ☐ Usual Credit

Section: ☐ Profit and loss ☒ Balance sheet Asset

Override GST rate: -1. AUTO SELECT RATE

Currency: USD

**Period Totals**

12. November 2019	\$0.00
11. December 2019	\$0.00
10. January 2020	\$0.00
09. February 2020	\$0.00
08. March 2020	\$0.00
07. April 2020	\$0.00
06. May 2020	\$0.00
05. June 2020	\$0.00
<b>Current Year:</b>	
04. July 2020	\$0.00
03. August 2020	\$0.00
02. September 2020	\$0.00
01. October 2020	\$0.00
00. November 2020	\$0.00
<b>Account balance:</b>	<b>\$0.00</b>

**Flags**

☒ Active

☒ Allow journals

☐ Private Account

<input checked="" type="checkbox"/> SubAccNo	Name	Total	Allow Journals
<input checked="" type="checkbox"/> 00	US BANK ACCOUNT	\$0.00dr	Y

Here the system is comparing the value of the account in foreign currency and converting at the period end FX rate to compare to the value of the account in AUD.

The value of this transaction would normally be charged to the P&L, hence this control account should be a P&L account.

This is not an unrealised variance, hence the journal created for Current Forex Variance does not automatically reverse on the first day of the next period.

The typical entry would be:

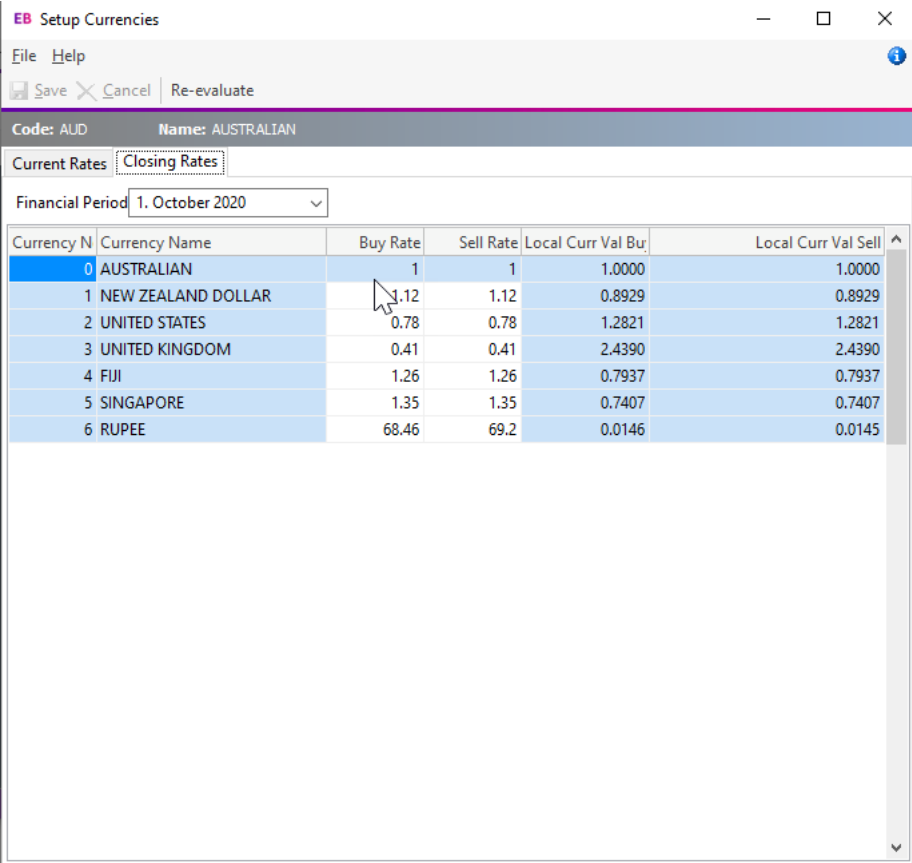
<b>Debit/Credit</b>	Foreign Currency Balance Sheet account	The value of the account balance in FX, converted at the period end FX rate, compared to the account balance in AUD
<b>Credit/Debit</b>	Current Forex Variance control account	The value of the account balance in FX, converted at the period end FX rate, compared to the account balance in AUD





Current Rates are the default transaction rate for the system. Any new purchase order, sales order, creditor invoice or debtor invoice will default to these rates unless over keyed by the user.

The Closing Rates tab contains the period end rates for each period. These are the rates that the foreign currency debtors, creditors and GL account balances are converted at.



EB Setup Currencies

File Help

Save Cancel Re-evaluate

Code: AUD Name: AUSTRALIAN

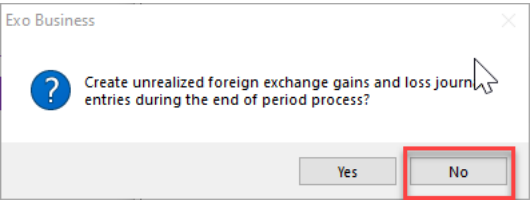
Current Rates Closing Rates

Financial Period: 1. October 2020

Currency N	Currency Name	Buy Rate	Sell Rate	Local Curr Val Bu	Local Curr Val Sell
0	AUSTRALIAN	1	1	1.0000	1.0000
1	NEW ZEALAND DOLLAR	1.12	1.12	0.8929	0.8929
2	UNITED STATES	0.78	0.78	1.2821	1.2821
3	UNITED KINGDOM	0.41	0.41	2.4390	2.4390
4	FIJI	1.26	1.26	0.7937	0.7937
5	SINGAPORE	1.35	1.35	0.7407	0.7407
6	RUPEE	68.46	69.2	0.0146	0.0145

#### Important notes:

1. you cannot enter the rates for the prior period until the ledger has been opened for the new period ie. If you are finishing October period end, make sure that you have opened November before you will be able to enter the October period end rates in the screen above.
2. when opening the new period you will be asked whether you wish to create the unrealised foreign exchange gains and losses journal (see screen shot below). Answer No to this question. You can trigger the calculation of the unrealised variances manually (see next section below) after you have completed all of your debtors and creditors invoicing for the period.



Exo Business

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Create unrealized foreign exchange gains and loss journal entries during the end of period process?

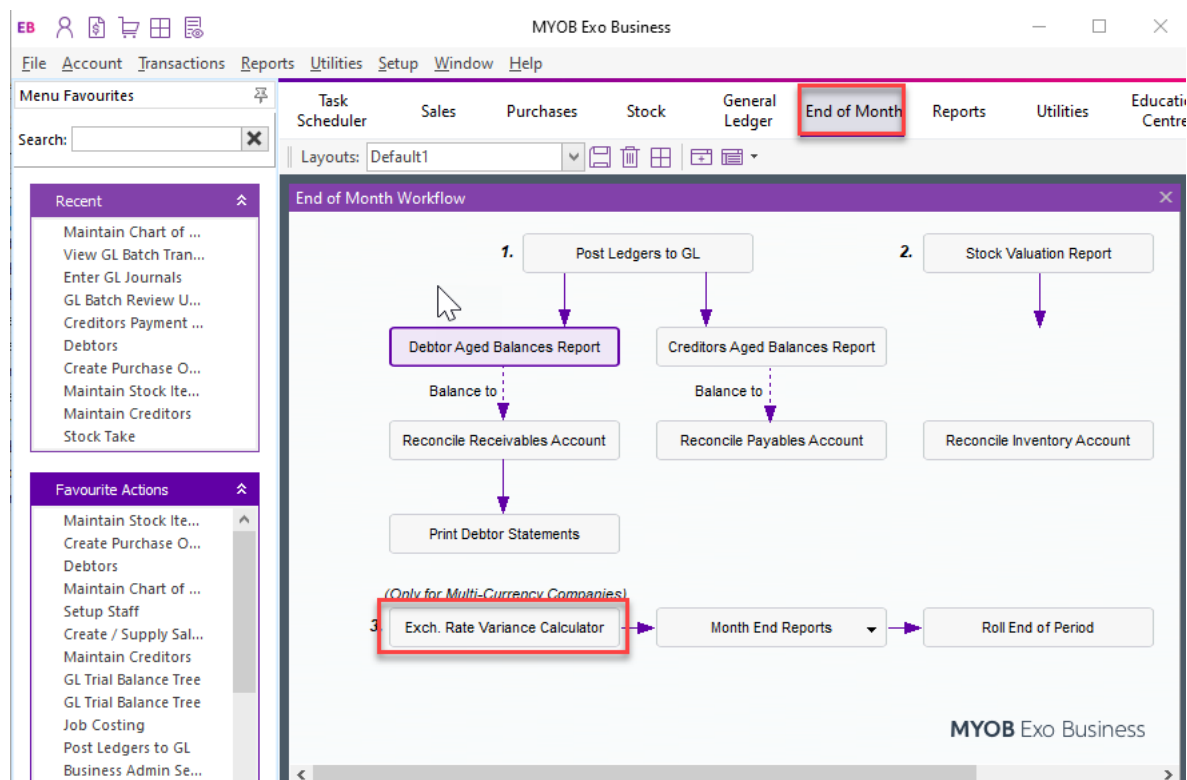
Yes No

## Running the period end FX variance calculations

Before you run the period end FX variance calculations (and if you have foreign exchange you should run this calculator every period), you must have completed the following:

1. Debtors – completed entry of all of your debtor transactions, reconciled debtors to the GL and closed the debtors ledger
2. Creditors - completed entry of all of your creditor transactions, reconciled creditors to the GL and closed the creditors ledger
3. FX denominated GL accounts – completed and reconciled all entries for foreign currency denominated GL accounts

To run the FX variance calculations, click the Exch Rate Variance Calculator button from the End of Month tab in Exo Business



The FX Rate Variance Calculator screen below will appear. Before running the calculator, you should make sure the settings are correct. We will discuss these below.

The screen has 4 sections, the sections are as follows:

### Realised Foreign Exchange Variances (highlighted green in the screen shot below)

This screen posts realised FX variances. Ensure that the settings are set as per the screen shot below

You should run this function (the check boxes next to the Take up allocated debtor transactions and Take up allocated creditor transactions) if you have FX enabled.

These entries post to the Debtors Realised Forex Variance and Creditors Realised Forex Variance GL Control accounts

### Current Foreign Exchange Variances (highlighted orange in the screen shot below)

Place a check in the Adjust foreign currency General Ledger a/c balances checkbox if you would like Exo to revalue your foreign currency denominated general ledger accounts (for example foreign currency bank accounts). You do not need to run this function if you don't want to but as mentioned above it is recommended that you do.

Ensure that the Destination GL Period is set to the period that you are closing

These entries post to the Current Forex Variance GL Control account

EB Foreign Exchange Rate Variance Calculator

File Help

Recalculate Post to GL Reports

Realised Foreign Exchange Variances

Source Ledgers Period / Date Range

All Unposted

☒ Take up allocated Debtor transactions

☒ Take up allocated Creditor transactions Destination GL Period: Source Ledger Period

Current Foreign Exchange Variances

☒ Adjust foreign currency General Ledger a/c balances Destination GL Period: 1. October 2020

Unrealised Foreign Exchange Variances

☒ Adjust General Ledger Debtor control a/c with reversing journal Destination GL Period: 1. October 2020

☒ Adjust General Ledger Creditor control a/c with reversing journal

Calculated: 16.11.2020 17:06

The following currencies for which debtors payments and invoices were not allocated resulted in these gains or losses due to exchange rate differences. The differences will be adjusted with auto-reversing journals.

Currency	Gain/Loss
FIJI	-194.75
NEW ZEALAND DOLLAR	-148.19
SINGAPORE	-2701.50

### Unrealised Foreign Exchange Variances (highlighted purple in the screen shot above)

Place a check in the Adjust General Ledger Debtor control a/c with reversing journal and/or Adjust General Ledger Creditor control a/c with reversing journal checkbox/es if you would like Exo to revalue your foreign currency denominated debtor and/or creditor balances. You do not need to run this function if you don't want to, but as mentioned above it is recommended that you do.

Ensure that the Destination GL Period is set to the period that you are closing.

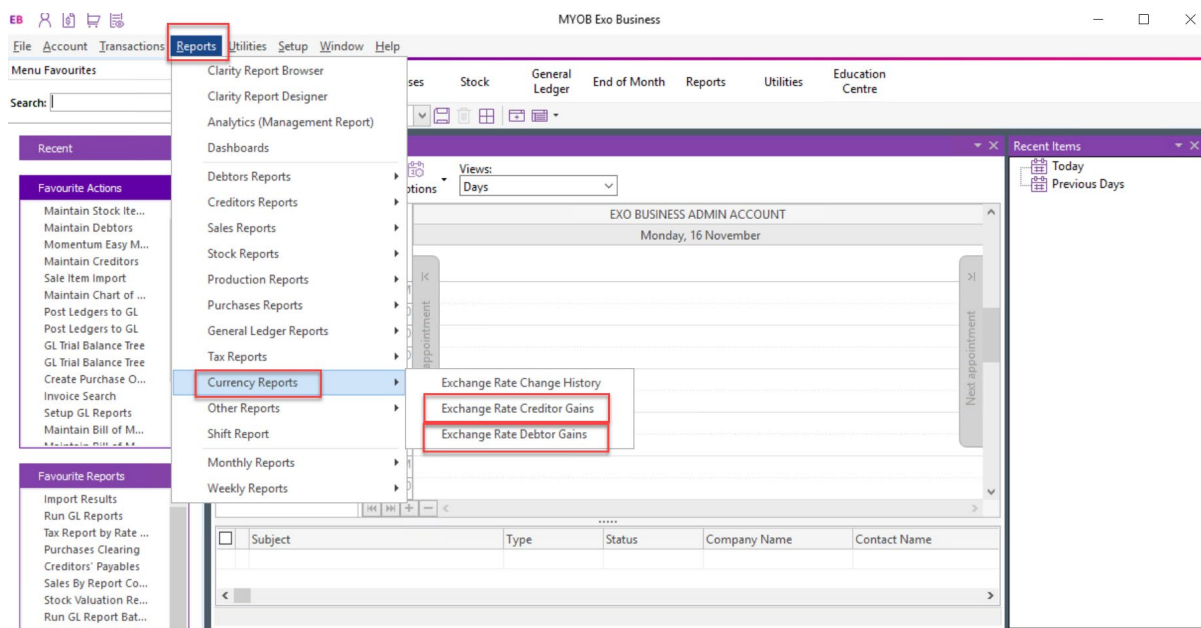
These entries post to the Debtors Unrealised Forex Variance and Creditors Unrealised Forex Variance GL Control accounts.

### Calculation details (highlighted black in the screen shot above)

This screen shows summary information of the calculations for each of the sections above that have been enabled.

More information is also available from the Reports dropdown menu, under Currency Reports and then select either the Exchange Rate Creditor Gains report or the Exchange Rate Debtor Gains report (see screen shot below)

Click Post to GL once reviewed calculations



## Appendix – Calculation example of unrealised debtors or creditors calculations

Creditors Unrealised FX Calculation - USD Example								
Creditor	Creditor Name	Invoice No	USD Amount	USD Txn Rate	AUD Txn Rate	USD Mth End Rate	AUD Mth End Rate	FX Variance Gain/(Loss)
8	AUSSIE CAR PARTS	12345	3,357.00	0.7450	4,506.04	0.7500	4,476.00	30.04
8	AUSSIE CAR PARTS	12349	2,427.00	0.7300	3,324.66	0.7500	3,236.00	88.66
5	CAR-PART.COM	4446	24,100.00	0.6900	34,927.54	0.7500	32,133.33	2,794.21
19	CROWN MOTORS ENTERPRISES	23450	8,640.00	0.7700	11,220.78	0.7500	11,520.00	- 299.22
	<b>Totals</b>		<b>38,524.00</b>		<b>53,979.02</b>		<b>51,365.33</b>	<b>2,613.69</b>

Debtors Unrealised FX Calculation - USD Example								
Debtor	Debtor Name	Invoice No	USD Amount	USD Txn Rate	AUD Txn Rate	USD Mth End Rate	AUD Mth End Rate	FX Variance (Gain/Loss)
20	ALLPARTS AUTOMOTIVE LTD	1245	21,740.00	0.7600	28,605.26	0.7800	27,871.79	- 733.47
20	ALLPARTS AUTOMOTIVE LTD	1249	13,284.00	0.7770	17,096.53	0.7800	17,030.77	- 65.76
20	ALLPARTS AUTOMOTIVE LTD	1257	20,053.00	0.7950	25,223.90	0.7800	25,708.97	485.07
21	COMFORT AUTOMOTIVE SERVICES PTE LTD	1399	36,550.00	0.7750	47,161.29	0.7800	46,858.97	- 302.32
	<b>Totals</b>		<b>91,627.00</b>		<b>118,086.98</b>		<b>117,470.50</b>	<b>- 616.48</b>