

Multi-Currency 101

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About the author

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Heather is a Chartered Accountant, MYOB & XERO Advisor, and a well used sounding board for business people.

She is the author of the soon to be released book [Learn MYOB in 5 Days](#) and writes regularly for [Flying Solo](#), [My Business](#), and the [Grow Your Business](#) series in the [Fitness Network](#) magazine, as well as other publications.

Heather holds a bachelor of commerce from Griffith University, is an Ambassador and Fellow of the Association of Chartered Certified Accountants (ACCA), and an advisor to the ATO on matters related to small business and BAS Agents.

She works closely with businesses assisting them in developing management reports that they can use and understand.

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Heather runs regularly with her dog Charlie and is currently the slowest member of the Brisbane Road Runners club.

**This guide is the culmination of hundreds of hours work.
We welcome any feedback that you may have on this guide.**

Guide 1: SETTING UP MULTI-CURRENCY IN MYOB

INTRODUCTION AND OVERVIEW

If your business is importing or exporting goods it is likely that you are dealing with foreign currency transactions. It is important that you clearly understand the implications of how currency fluctuations may affect the bottom line of the transaction. I have heard of some business that after a year of trading with foreign companies, realised that they only broke even on what they bought and sold, all profits were actually coming from a favourable currency movement. In a different market environment where the currency fluctuated in an adverse direction, the company could have incurred significant losses. Just because you are very busy and selling lots of stock does not mean that your business is actually profitable.

Let's define some key multi-currency terminology;

Currency is a system of money in general use in a particular country. In Australia we have the Australian dollar. In the United States of America the official currency is the US dollar. In New Zealand they also refer to the dollar as their official currency; however each countries dollar is valued differently. You could not go to the USA with one New Zealand dollar and purchase one USA dollar worth of goods. Further to that as you may be aware, some currencies are not called dollars; they may be called Yen, baht, pound or Euro and so on.

Exchange Rate, or the foreign exchange rate or the forex rate, is the relationship between how much one currency is worth in terms of another currency. For example if the Australian dollar is trading at 1.0156 to the US Dollars [AUD/USD 1.0156] this means that a single Australian dollar is worth 1.0156 US dollar. The Reserve Bank of Australia (RBA) (<http://www.rba.gov.au/statistics/frequency/exchange-rates.html>) provides daily currency exchange rates to the Australian dollar.

1 July 2010 [AUD/USD 0.8366] Arnold's gym enters into an arrangement to purchase US\$1000 worth of exercise equipment from America. If Arnold paid for his purchase on this date, he'd have paid \$1195.31 in Australian dollars (\$1000 divided by 0.8366) but instead, he deferred payment.

Unrealised Currency Gain or Loss occurs when there is an outstanding receivable or payable account in a foreign currency and that currency fluctuates against the Australian dollar from the original date of the transaction. This will result in either a currency gain or loss, however it will not be realised until money is received or the payment is made. An Unrealised currency gain or loss is not physically real; you cannot find it in your business bank account. However if it is a significant dollar value, due to a large number of foreign currency dealings, or a substantial fluctuation it would be prudent to recognise the unrealised currency gain or loss in the profit and loss statement of the business.

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1 March 2011 [AUD/USD 1.0156]: Arnold's Gym calculates that its unrealised currency gain is \$210.67 from the purchase. This is because the AUD/USD rate has moved favourably from 0.8366 to 1.0156. This figure is arrived at by dividing \$1000 by 1.0156 (= \$984.64) and then subtracting it from the cost in Australian dollars on the original transaction date (\$1195.31 - \$984.64 = \$210.67).

Realised Currency Gain or Loss occurs when the foreign transaction has been completed, and the currency profit or loss is recognised in the profit and loss statement.

21 April 2011 [AUD/USD 1.0769]: Arnold's Gym fully pays for the purchase from 1 July 2010. The AUD/USD rate has moved from 0.8366 to 1.0769. The realised gain from the transaction is calculated by dividing \$1000 by 1.0769 (= \$928.59) and subtracting that from the cost in Australian dollars on the original transaction date (\$1195.31 - \$928.59 = \$266.72). The realised gain from the transaction is calculated to be \$266.72 and is reflected in the Profit and Loss statement.

The AUD/USD rate has moved from 0.8366 to 1.0769. By delaying the payment Arnold has benefitted from the strengthening Australian dollar, and has gained \$266.72 more profit than he would have if he'd paid in July, and \$56.05 more than if he'd paid in March.

In reality the profit figure will not be that pure. Different banks have marginally different rates to the RBA, and the banks are likely to charge a fee for transacting in a foreign currency, which will reduce the profit, or increase the loss incurred.

Expanding your business overseas is certainly an exciting step, but you need to be fully aware of and plan for the risks involved. You need to understand the options available to you, and build buffers into your pricing. The Australian dollar is very strong at the moment, it buys more overseas and this means imports are cheaper than normal. This will not always be the case, and you cannot build a long term business on this exchange rate. Unexpected currency fluctuations can be favourable, or can critically drain your cashflow.

SOFTWARE CHOICES

I have clients with one or two foreign currency transactions a year and they manually process them and enter the results in their accounting software. If you perceive, however that your business will have a number of foreign currency transactions you will need to weigh up the cost versus time benefit. In MYOB multi-currency options are available in MYOB Premier. The currency rates need to be manually updated. This product retails at \$1849. In XERO Multi currency options are available at \$64 per month and the currency rates are updated online every hour.

Over the next 30 minutes we are going to

1. Activate the multi-currency option in MYOB Premier

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2. Process multi-currency transactions.

Step 1 Activate the Multiple Currency preference under the SYSTEM Tab. Go to the Menu bar; click on Setup->Preferences->System TAB and tick the Option;

I deal in Multiple Currencies.

Figure 1.1 The Multiple currencies have been selected alert window opens to alert you that you are preparing your data file for multiple currencies. Click OK. Click OK to close the Preference window.

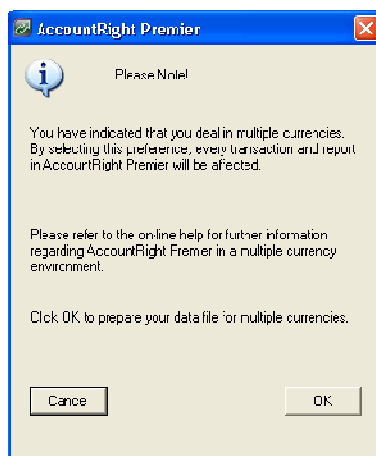


Figure 1.1 Multiple currencies have been selected alert window

Step 2 The next step is to establish what foreign currencies your business will be dealing with in your accounting system. While the business may trade with a variety of countries, it may only transact in the American dollar. You need to answer the following three questions.

What currencies will the business transact in?	_____
Will the business be purchasing in overseas currency?	Yes / No
Will the business be selling in overseas currency?	Yes / No

In this scenario we shall be purchasing and selling overseas in US\$ and GB£	
What currencies will the business transact in?	US\$ / GB£
Will the business be purchasing in overseas currency?	Yes
Will the business be selling in overseas currency?	Yes

Table 1.1 Setting up for multiple currencies

Step 3 it is necessary to create a variety of accounts to deal with the multiple currency transactions, and it is productive to group them together and clearly label them. In the chart of accounts create an asset header account called Multicurrency Accounts.

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Go to the Accounts Command Centre, click on the Accounts List, click on the Asset Tab and click on the New button on the bottom left of the screen and Figure 1.2 Multiple Currency Accounts Profile tab will open. The fields will be blank and need to be filled in.

Figure 1.2 Multiple Currency Accounts Profile tab

In the Account Number field enter 3 and tab through. In the Account Name field enter 'Multiple Currency Accounts'. Select Header Accounts option in the top right corner. Click on the Details tab and tick

- When Reporting, Generate a Subtotal for This Section

Then click the OK button and you will see the new account listed under Assets.

Step 4 now we will create foreign currency asset bank accounts for all currencies the business plans to deal with. In this scenario there will be two accounts, the US\$ Currency Account and GB£ Currency Account.

Create two new asset accounts with the following details.

Account Type	Bank	Bank
Account Number	1-3100	1-3200
Account Name	US Currency Account	GB Currency Account
Currency	USD	GBP

Table 1.2 Setting up Asset Accounts

Step 5 is quite easy; you need to simply allow the foreign currency exchange account to be automatically created in MYOB.

Click on the Details tab of the newly created account and Figure 1.2 Multiple Currency Accounts Details tab window will open.

Figure 1.3 Multiple Currency Accounts Details tab

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Click into the field beside Currency and Figure 1.1 Select from list window opens. Select appropriate currency under the Details tab. In this scenario select USD United States Dollars.

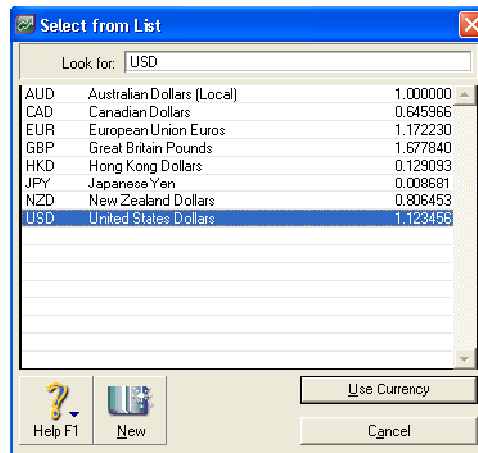


Figure 1.4 Currency option list

Click the Use Currency button. Figure 1.1 Create an exchange account automatically window opens and advises you that you have chosen to create a foreign currency account. It goes on to let you know that all foreign currency accounts require an exchange account to track changes in currency value, and queries, would you like AccountRight Premier to create an exchange account automatically? Click the OK button.

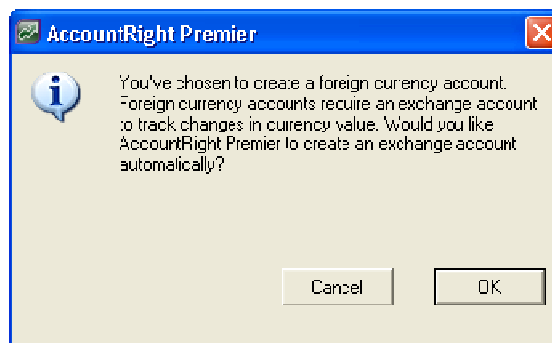


Figure 1.5 Create an exchange account automatically window.

Your US\$ Currency account should now look like Figure 1.2 Multiple Currency Accounts Details tab.

You can see that a new account 1-3101 US Currency Account Exchange has been created.

Now repeat this exercise to create a GB Currency Account.

1. Click new, and enter the account number, 1-3200 and account name, GB Currency Account.
2. Click the details tab.
3. Click the drop down arrow beside currency and select GBP Great Britain Pounds.
4. Click Use Currency. Click OK and the newly created account 1-3201 GB Currency Account Exchange appears beside the Currency Exchange Account field.

The automatic creation of the second Currency Account Exchange account may have been unexpected? Let's look at Figure 1.6 Multiple Currency Accounts: Extract from the Accounts List to understand why the account was created.

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1-3000 Multiple Currency Accounts		Asset			
1-3100	US Currency Account	Other Asset	N-T		\$0.00
1-3101	US Currency Account Exchange	Other Asset	N-T		US\$0.00
1-3200	UK Currency Account	Other Asset	N-T		\$0.00
1-3201	UK Currency Account Exchange	Other Asset	N-T		£0.00

Figure 1.6 Multiple Currency Accounts: Extract from the Accounts List

You will notice that 1-3100 has the reference US\$, and 1-3200 has the reference £ in the far right hand column. The amount figures stated on these two lines will be stated in the respective currency. Our MYOB data file however reports everything in Australian dollars, and to leave two foreign currency lines within an Australian dollar report would be confusing and misleading. The two exchange accounts were automatically created to deal with this issue. The combined value of the Currency Account and the Currency Account Exchange Account is the value of the account in Australian dollars. You will be unable to post any transactions to the Currency Account Exchange account. It will automatically calculate its balance based on the currency rate entered into MYOB.

Step 6 if the business will be selling in a foreign currency we need to create an Accounts Receivable account to tracking receivables in foreign currency.

Create two new asset accounts; 1-3110 US Customers and 1-3210 GB Customers. The Account Type of both of them will be Accounts Receivable. Select appropriate currency under the Details tab.

Step 7 A related foreign currency receivables exchange account to be automatically created for both accounts.

Step 8 as this business is paying in a foreign currency it is necessary to create some liability accounts. The multi currency accounts will be grouped under a Liability header account, account number 2-4000, account name Multicurrency Accounts. Remember to select the Header Accounts option in the top right corner. Click on the Details tab and tick

When Reporting, Generate a Subtotal for This Section

Step 9 the business will also be paying transactions in a foreign currency, so it is necessary to create an Accounts Payable account for tracking payables in the foreign currency.

Account Type	Accounts Payable	Accounts Payable
Account Number	2-4110	2-4210
Account Name	US Supplier Account	GB Supplier Account
Currency	USD	GBP

Table 1.3 Setting up multi-currency Accounts Payable Accounts

Step 10 Select the appropriate currency under the Details tab. A related foreign currency payables exchange account will automatically be created for both accounts.

Step 11 The currencies receivables and payables accounts need to be linked. Go to the menu bar and click on Lists, click on Currencies at the bottom of the drop down menu. Click on the white zoom arrow to the left of United States Dollars.

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Field	Value
Currency Code	USD
Currency Name	United States Dollars
Exchange Rate	1.123456
USD US\$1.00 equals	\$1.12
AUD (Local) \$1.00 equals	US\$0.89
Currency Symbol	US\$
Position of Currency Symbol	Before Number
Negative Number Format	Before Currency Symbol
Decimal Symbol	.
Number of Digits after Decimal	2
Digit Grouping Symbol	,
Number of Digits in Group	3
Display Leading Zeros	<input checked="" type="checkbox"/>
Positive Amount	US\$123,456,789.00
Negative Amount	-US\$123,456,789.00

Figure 1.7 United States Dollars Currency Profile

Click on the United States Dollars Receivables Accounts tab. Click in the Asset Account for Tracking Receivables in this Currency field and select 1-3110 US Customers.

Click in the Bank Account for Customer Receipts in this Currency field and select 1-3100 US Currency Account. Click on the United States Dollars Payables Accounts tab.

Click in the Liability Account for Tracking Payables in this Currency field and select 2-4110 US Suppliers. Click in the Bank Account for Paying Bills in this Currency field and select 1-3100 US Currency Account. Click OK.

Click on the white zoom arrow to the left of Great Britain Pounds.

Click on the Great Britain Pounds Receivables Accounts tab. Click in the Asset Account for Tracking Receivables in this Currency field and select 1-3210 GB Customers.

Click in the Bank Account for Customer Receipts in this Currency field and select 1-3200 GB Currency Account.

Click on the Great Britain Pounds Payables Accounts tab. Click in the Liability Account for Tracking Payables in this Currency and select 2-4210 GB Suppliers. Click in the Bank Account for Paying Bills in this Currency field and select 1-3200 GB Currency Account.

MULTI CURRENCY CUSTOMERS AND SUPPLIERS

Step 12 involves assigning a foreign currency to customers and suppliers where relevant. If you transact with a customer in US\$ that customer needs to have that defined within their card profile. If you transact with a customer with two currencies, the customer will require two separate customer cards.

To create a foreign currency customer card in MYOB go to the command centre and click on Card File click on Cards List and click on New. For this exercise we will use an easily identifiable name, US Customer. Go to the right hand side and you will see a field that was activated when you selected I deal in Multiple Currencies earlier in this guide. Click on the drop down arrow and select USD from the figure 1.4 the currency option list.

Field	Value
Card Type	Customer
Designation	Company
Inactive Card	<input type="checkbox"/>
Name	US Customer
Card ID	None
Currency	USD
Location	Address 1: Bill To
Address	
City	
State	
Postcode	
Country	
Phone#1	
Phone#2	
Phone#3	
Fax	
Email	
Website	
Salutation	
Contact	

Figure 1.8 US Customer card in US\$

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You will notice that Figure 1.1 US Customer card in US\$ now details the A/R Balance in US dollars. If you explore the card further you will see additional references to US dollars.

For this exercise create 3 more cards as detailed below;

Card Type	Card Name	Currency
Customer	GB Customer	GBP
Supplier	US Supplier	USD
Supplier	GB Supplier	GBP

Table 1.4 Set up for multi-currency Customer and Supplier Cards

Appendix

SETTING UP MULTI-CURRENCY CHECKLIST

<i>Step</i>	<i>Procedure</i>	✓
Step 1	Activate the Multiple Currency preference under the SYSTEM Tab.	
Step 2	What currencies will be needed _____ Purchasing in overseas currency Yes / No Selling in overseas currency Yes / No	
Step 3	Create an Asset header account called Multicurrency Accounts.	
Step 4	Create foreign currency asset bank account for all currencies e.g. US Currency Account. Select appropriate currency under the Details tab.	
Step 5	Allow the foreign currency exchange account to be automatically created.	
Step 6	Create an Accounts Receivable account for tracking receivables in foreign currency e.g. US Customers. Select appropriate currency under the Details tab.	
Step 7	Allow the foreign currency receivables exchange account to be automatically created.	
Step 8	Create a Liability header account called Multicurrency Accounts.	
Step 9	Create an Accounts Payable account for tracking payables in a foreign currency e.g. US Suppliers. Select appropriate currency under the Details tab.	
Step 10	Allow the foreign currency payables exchange account to be automatically created.	
Step 11	Under Lists-> Currencies link receivables and payables accounts.	
Step 12	Assign foreign currency to customers and suppliers where relevant.	
Step 13	Visit http://www.rba.gov.au/statistics/hist-exchange-rates/index.html for up to date exchange rates. Demonstrate currency calculator under Help.	
Step 14	Under Recurring Transactions set up journal entries for unrealised Currency Gain / Loss.	
Step 15	Review Currency reports under the Accounts Tab. Review additional options on finishing tab of reports.	

NOTES:

This guide is the culmination of hundreds of hours work.
If you would like to see further aspects of multi-currency covered please contact us.
We welcome any feedback that you may have on this guide.