MYOB Support Note

Unrealised Currency Gain/Loss

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This support notes are suitable for:

- **MYOB Premier**

> **Fluctuations in foreign currency exchange rates which take place after an unpaid invoice or bill has been issued can result in what is known as an unrealised gain or loss. This support note explains how to track and reflect these unrealised gains or losses.**

What are unrealised gains or losses?

If you have an asset such as an outstanding overseas trade debtor account and the value of this asset increases or decreases due to exchange rate fluctuations, you have an unrealised gain or loss. When the account is paid, the gain or loss is realised.

Why would I need to record unrealised gains and losses?

If a business conducts a high volume of trade in a foreign currency, the potential impact of exchange rate fluctuations increases. If you want to understand the potential effect the exchange rate has on a multicurrency transaction, you need to determine the unrealised gain or loss for the transaction.

If a business needs to reflect this in the balance sheet, then unrealised gains and losses would need to be recorded.

Therefore, at the end of a given reporting period such as a month, some businesses choose to update their records to reflect the value of any unrealised gains or losses resulting from these fluctuations.

You should check with your accountant whether this is necessary for your business.

How do I determine my unrealised gains or losses?

MYOB Premier and MYOB Premier Plus include a report designed to help you easily determine this.

However, it is crucial that prior to running this report, you update the exchange rate. Otherwise, the report will calculate the gain or loss based upon an incorrect exchange rate.

To update the exchange rate:

1. Go to the **Lists** menu and choose **Currencies**.
2. Click the white zoom arrow next to the currency in question and enter the new exchange rate.
3. Click **OK**.

To run the Unrealised Gain/Loss Report:

1. From the **Accounts** command centre, go to the **Reports** menu and choose **Index to Reports**.
2. Scroll down to the **Currency** heading and select the **Unrealised Gain/Loss** report.
3. Click **Customise** and enter the date as at which you wish to determine the unrealised gain or loss.
4. Click **Display**.

How do I record the unrealised gain or loss?

Once the value of the unrealised gain or loss has been determined for the period, it can be recorded using a general journal entry.

When you track unrealised gains and losses, you make an entry for the current month, then reverse the entry you made in the previous month. It's important that you remember to reverse the previous month's entry; if you don't, gain and loss amounts for future months will be inaccurate.

The debit and credit postings on this journal entry will depend upon whether the gain or loss is affecting an asset or a liability account. There should be a debit and a credit for each account listed in the report.

If the account is an asset account

If the report shows a currency gain for an asset account, credit the Unrealised Currency Gain/Loss account and enter an equal debit amount for the exchange account associated with the asset account.

If the report shows a currency loss for an asset account, debit the Unrealised Currency Gain/Loss account and enter an equal credit amount for the exchange account associated with the asset account.

If the account is a liability or equity account

If the report shows a currency gain for a liability or equity account, credit the Unrealised Currency Gain/Loss account and enter an equal debit amount for the exchange account associated with the liability or equity account.

If the report shows a currency loss for a liability or equity account, debit the Unrealised Currency Gain/Loss account and enter an equal credit amount for the exchange account associated with the liability or equity account.

Example

A UScustomer has been billed for consulting services on the 1 March 2008 for a total of US$1000.00. At the time the exchange rate was 3.8 Ringgit Malaysia *(RM)* to 1 US Dollar.

At the end of the month, the invoice has not yet been paid and in the meantime, the exchange rate has become 3.6 Ringgit Malaysia to 1 US Dollar.

Having updated the exchange rate to 3.6, the Unrealised Gains/Loss Report shows an unrealised loss of RM200.00 as at 31 March 2008.

Currency Unrealised Gains/Losses

As of 31/03/2008

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A/C# Name	Curr. Value	Orig. Value	Gain/Loss
1-1920 US Customer	$3,600.00	$3,800.00	-$200.00
		Total:	-$200.00

The following general journal is therefore recorded:

Tip: You can save these general journal entries as recurring transactions to speed up future entries. For more information on recurring transactions please see our support note Recurring Transactions.

Subsequently, by the end of April, payment for this sale has been received and other open invoices have been recorded in the company file.

The general journal entered for Unrealised Gain/Loss at the end of March must be reversed:

1. Go to the **Setup** menu, choose **Preferences** and click the **Security** tab.

2. Mark the option **Transactions CAN'T be Changed; They Must Be Reversed [System-wide]** and click **OK**.

3. Display the general journal entered in the previous month. It can be accessed through the **General** tab of the **Transaction Journal**.

4. Go to the **Edit** menu and choose **Reverse**.

5. Change the date of the transaction to the first of the month *(1/4)* and click **Record Reversal**.

Prior to running the **Currency Unrealised Gain/Loss** report for April, the exchange rate for the currency is updated. Once the report for April has been run, the new general journal entry is recorded.