

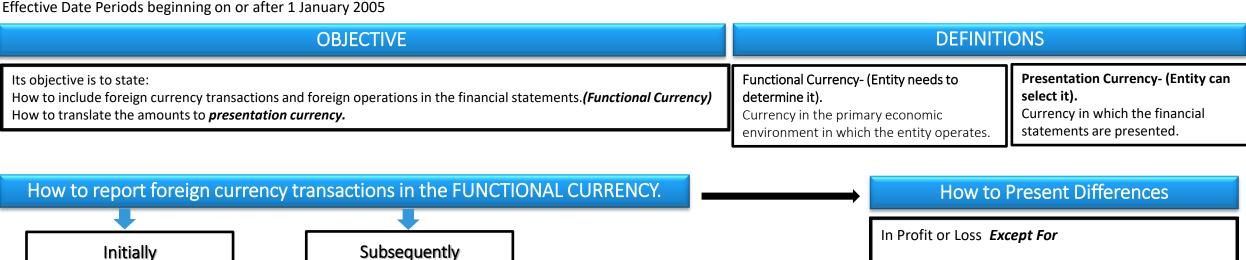


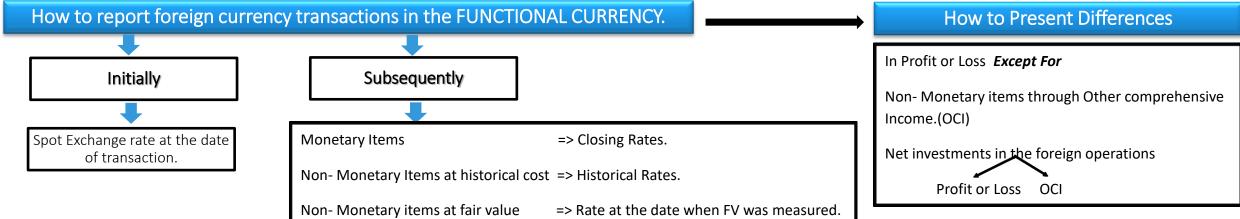
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IAS 21 THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Effective Date Periods beginning on or after 1 January 2005







ILLUSTRATIVE DISCLOSURE

ABC is a dollar based company and has the following transaction in foreign currency during the current year.

ABC sold goods for on £10,000 1ST January 2018 and the receipts will be in pounds. Receivables were collected on 30 April 2018. The spot exchange rates were as follows:

1st January 2018-£0.60

1st February 2018- £0.65

31st March-£0.75

30th **April-** £0.85

Date of transaction:1st January 2018

£10,000 **/.60= \$16667**

Reporting date: 31st march 2010

£10,000 **/.75= \$13333**

Loss because of exchange rate 3334 (16667-13333)

Entry will be: Debit: Profit loss a/c 3334

Credit: Receivables a/c 3334

After the reporting date the receivables are re-translated using spot rate and profit /loss charged to P/L.

£10,000 /.80= \$12500

Cash a/c- \$12500

Profit /loss-\$833

to receivables-\$13333