

Setting up/Using Multi Currency in QuickBooks

The multi currency feature in Quick Books allows you to deal in currencies other than the Australia dollar. This includes

- Selling goods and /or services and receiving payment in a foreign currency
- Purchasing and paying for goods in a foreign currency
- Holding a bank account in a foreign currency

This paper outlines setting up QuickBooks to enable this feature and recording the relevant transactions in QuickBooks as well as some hints to ensure the data is correct

Data is entered in the foreign currency but converted to Australian dollars and recorded as such in the financial statements, however the foreign currency balances are available in lists and registers

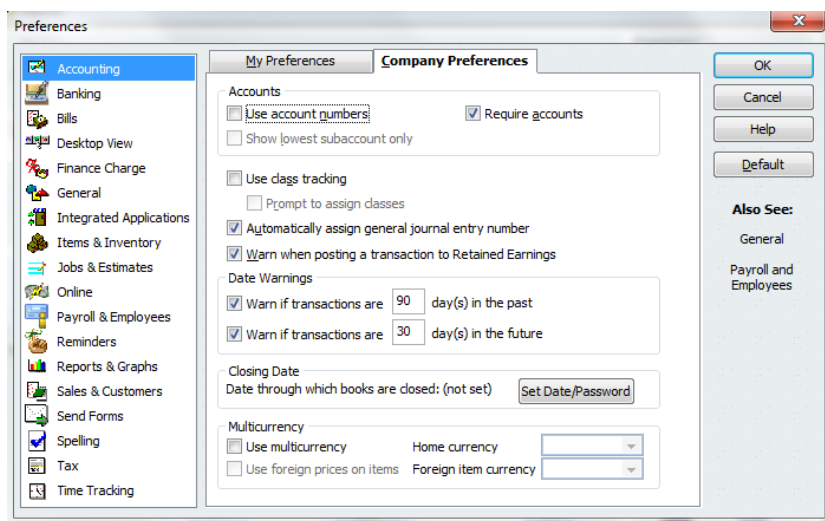
Note – this functionality is only available in QuickBooks Pro or higher (Premier, Enterprise, On-Line)

Initial Set up

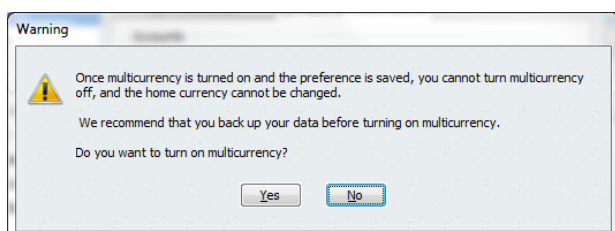
1 Setting the Preference

Edit > Preferences > Accounting > Company Preferences

Tick the box – Use Multicurrency



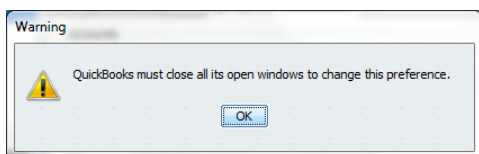
The following warning message will appear



Business EEz – Procedure

Once multi currency is turned on, it can never be turned off so it is recommended not to turn it on unless you intend to use it

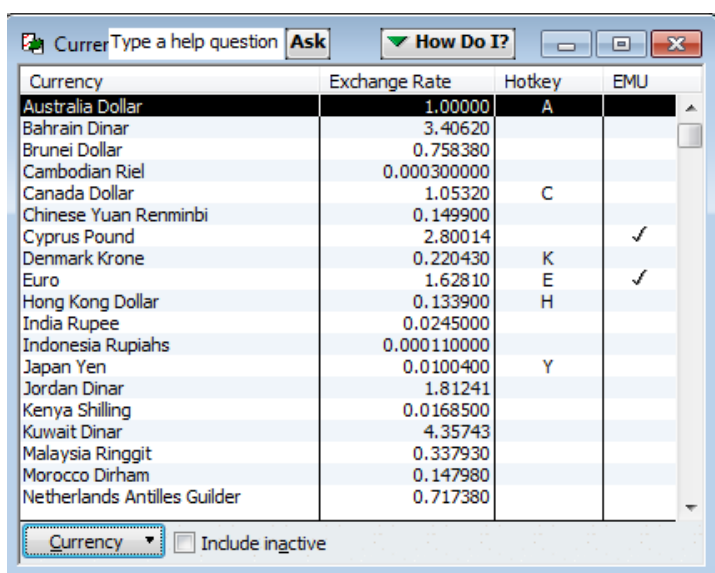
Once you have accepted the message – the home currency will default in to AUD. This can be changed if necessary



2 Setting Exchange rates

Once the preference is turned on there is a new list under the Lists menu for the exchange rates

•List > Currency List



Currency	Exchange Rate	Hotkey	EMU
Australia Dollar	1.00000	A	
Bahrain Dinar	3.40620		
Brunei Dollar	0.758380		
Cambodian Riel	0.000300000		
Canada Dollar	1.05320	C	
Chinese Yuan Renminbi	0.149900		
Cyprus Pound	2.80014		✓
Denmark Krone	0.220430	K	
Euro	1.62810	E	✓
Hong Kong Dollar	0.133900	H	
India Rupee	0.0245000		
Indonesia Rupiahs	0.000110000		
Japan Yen	0.0100400	Y	
Jordan Dinar	1.81241		
Kenya Shilling	0.0168500		
Kuwait Dinar	4.35743		
Malaysia Ringgit	0.337930		
Morocco Dirham	0.147980		
Netherlands Antilles Guilder	0.717380		

QuickBooks will bring in default rates so you should change the rate to be as per the current rate for the currencies that will be used. However the rate can be changed on individual transactions

The Exchange rate is usually quoted in Australia as 1 AUD = 0.88 USD, however in QuickBooks it is recorded the other way around i.e. 1 USD = 1.13 AUD.

You can delete currencies from this list if you will never use them or make them inactive as with other lists in QuickBooks

3 Changes in the chart of accounts

QuickBooks also adds a special expense account to the chart of accounts called 'Exchange Gain/Loss'. This is where QuickBooks automatically posts any variation in a transaction due to movements in the exchange rate between for example raising the invoice and receiving payment or receiving the bill and paying it.

Business EEz – Procedure

4 Setting up Customers & Suppliers

Once multi currency is turned on – you will need to specify the currency that you use for each customer and supplier

The first time you use a particular currency for a supplier or customer, the following message will appear:

Followed by

Set the account up as follows – specifying the relevant currency

5 Foreign Currency Bank account

If you have a bank account in a foreign currency – that can also be set up as there is now a field to specify the currency

Note – the Chart of Accounts and customer/supplier lists will show the balance in the accounts in the local currency but the Balance Sheet and all other reports will show the values in AUD as will any transactions

Name	Type	Tax	Currency	Balance Total
2nd CBA	Bank		Australia Dollar	0.00
Amex Clearing	Bank		Australia Dollar	0.00
Barter Payments	Bank		Australia Dollar	0.00
Current Account (CBA)	Bank		Australia Dollar	55,034.93
GBP Bank Account	Bank		United Kingdom Pound	5,000.00
new online account	Bank		Australia Dollar	0.00
Accounts Receivable	Accounts Receivable		Australia Dollar	22.00
Accounts Receivable - GBP	Accounts Receivable		United Kingdom Pound	0.00

6:57 PM
03/09/10
Accrual Basis

test co no multi currency
Balance Sheet
As of September 3, 2010

Sep 3, 10

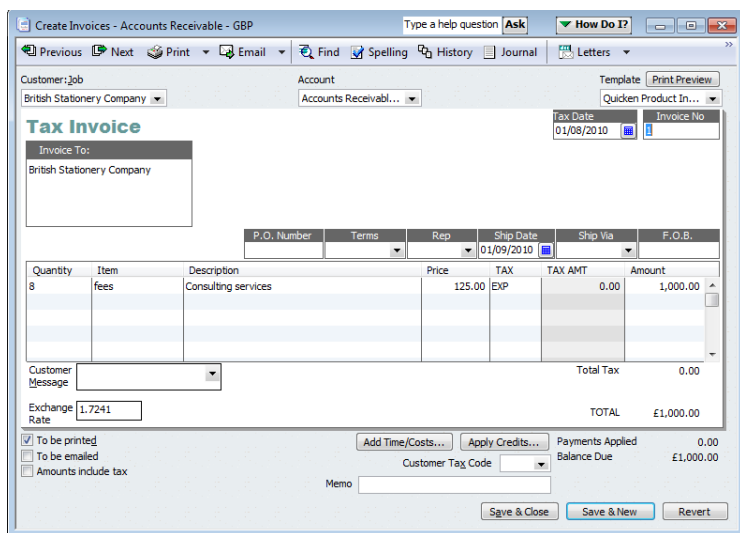
ASSETS	
Current Assets	
Chequing/Savings	
Current Account (CBA)	55,034.93
GBP Bank Account	8,620.50
Total Chequing/Savings	63,655.43

Recording transactions in a foreign currency

1 Customer Transactions

Invoicing the customer

Once you select a customer that has been set up as a foreign currency customer – QuickBooks will raise the invoice in the currency of the customer using the exchange rate in the currency list – this can be amended if required – either on the invoice or in the List



Note – generally you should use the tax code EXP to indicate that this is an export sale as this should be recorded in box G2 on the BAS

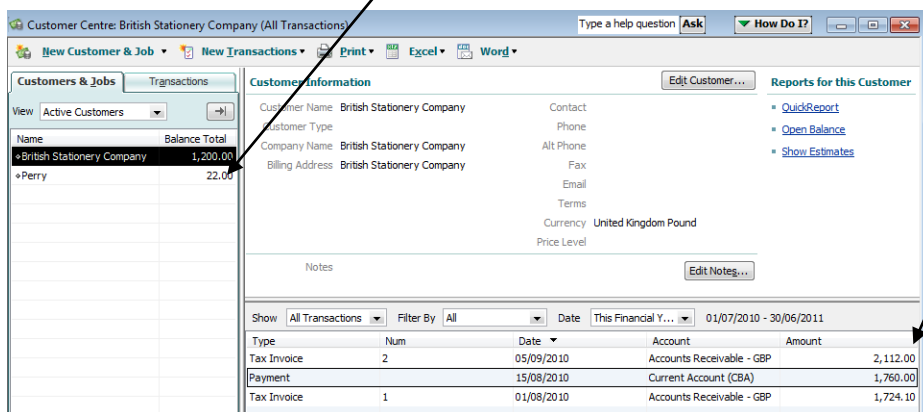
The invoice will print showing the foreign currency amount.

Note – you can start the process with an Estimate or a Sales Order

Customer Inquiries & reports

The Accounts Receivable Aging summary will show the amount in Australian dollars

In the Customer Centre – the customer balance will be in the foreign currency but the transactions will show in Australian dollars



Business EEz – Procedure

The Open Invoices report can be modified to show both the Australian dollar and foreign currency amounts along with the currency

Type	Date	Num	P. O. #	Terms	Due Date	Ageing	Open Balance	Foreign Amount	Currency
British Stationery Company									
Tax Invoice	14/08/2010	3			14/08/2010	22	5,033.60	2,860.00	United Kingdom Po...
Tax Invoice	31/08/2010	4			31/08/2010	5	8,731.36	4,961.00	United Kingdom Po...
Tax Invoice	05/09/2010	2			05/09/2010		2,112.00	1,200.00	United Kingdom Po...
Total British Stationery Company							15,876.96	9,021.00	
Perry									
Tax Invoice	16/10/2008	1			16/10/2008	689	22.00	22.00	Australia Dollar
Total Perry							22.00	22.00	
TOTAL							15,898.96	9,043.00	

Customer Pays the invoice

When the funds are received from the customer in the foreign currency – this is again recorded in that currency, however if the money is received in an Australian dollar bank account, you will need to amend the exchange rate to reflect the amount actually received in the bank account

Date	Number	Orig. Amt.	Amt. Due	Payment
01/08/2010	1	1,000.00	1,000.00	1,000.00
Totals		1,000.00	1,000.00	1,000.00

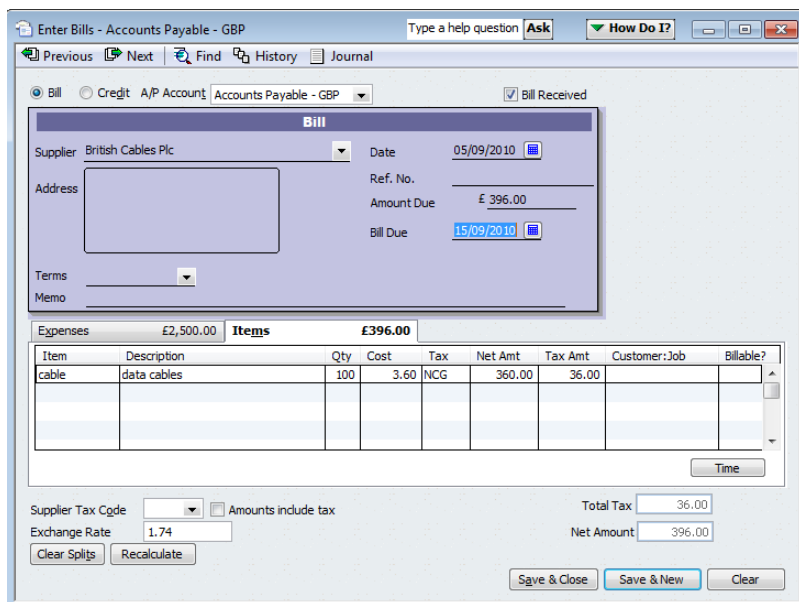
QuickBooks will automatically calculate the difference between the amount in Australian dollars that was invoiced and the amount received and create a gain or loss amount.

Trans #	Type	Date	Num	Name	Description	Account	Class	Debit	Credit
34	Payment	15/08/2010		British Stationery C...		Current Account (...)		1,760.00	
				British Stationery C...		Accounts Receiva...			1,724.10
				British Stationery C...	Exchange G...	Exchange Gain/Loss			35.90
TOTAL								1,760.00	1,760.00

2 Supplier Transactions

Invoicing the Supplier

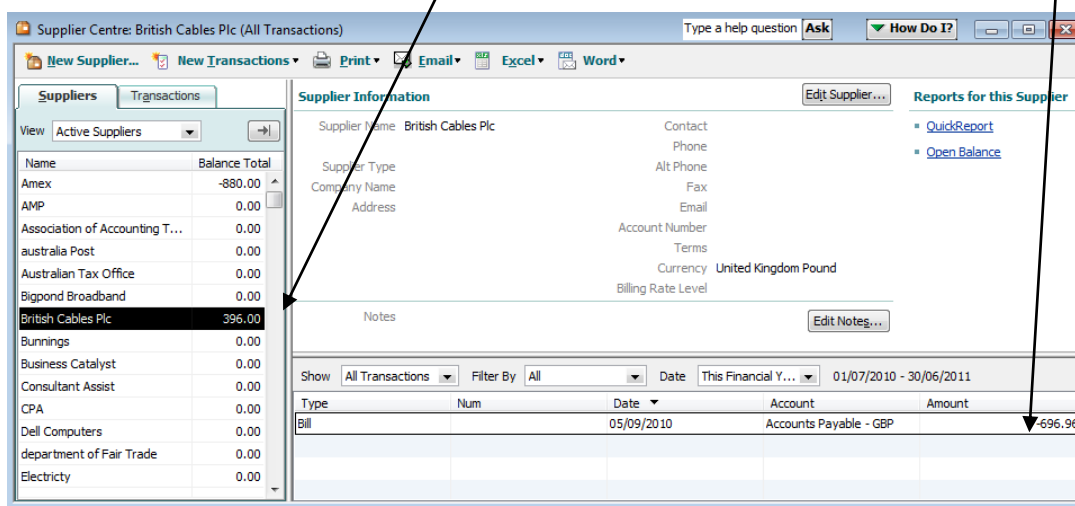
Once you select a Supplier that has been set up as a foreign currency Supplier – QuickBooks will record the bill in the currency of the Supplier using the exchange rate in the currency list – this can be amended if required – either on the bill or in the List



Supplier Inquiries & reports

The Accounts Payable Aging summary will show the amount in Australian dollars

In the Supplier Centre – the Supplier balance will be in the foreign currency but the transactions will show in Australian dollars



Business EEz – Procedure

The Unpaid Bills Detail report can be modified to show both the Australian dollar and foreign currency amounts

Type	Date	Num	Due Date	Ageing	Open Balance	Actual R...	Foreign Amount	Currency	Foreign Open Ba...
Amex									
Bill Pmt -Cheque	01/07/2010				-880.00	1	-880.00	Australia Dollar	-880.00
Total Amex					-880.00		-880.00		0.00
British Cables Plc									
Bill	01/08/2010		11/08/2010	25	6,195.20	1.76	3,520.00	United Kingdom Po...	3,520.00
Bill	14/08/2010		24/08/2010	12	7,260.00	1.76	4,125.00	United Kingdom Po...	4,125.00
Total British Cables Plc					13,455.20		7,645.00		0.00
Officeworks									
Bill	01/09/2010		11/09/2010		1,250.00	1	1,250.00	Australia Dollar	1,250.00
Total Officeworks					1,250.00		1,250.00		0.00
TOTAL					13,825.20		8,015.00		0.00

Paying the Bill

If you are paying the supplier from a foreign currency bank account, you can simply record the payment. QuickBooks will still calculate a gain or loss in exchange if there is a difference between the exchange rate on the bill and the exchange rate at the time the payment is recorded.

If however you are paying the bill out of the Australian dollar account, you will need to calculate the exchange rate as applied by the bank and record this. You can record up to five decimal places.

Date Due	Supplier	Ref. No.	Amt. Due	Credits Used	Amt. To Pay
15/09/2010	British Cables Plc		396.00	0.00	396.00
Totals			396.00	0.00	396.00

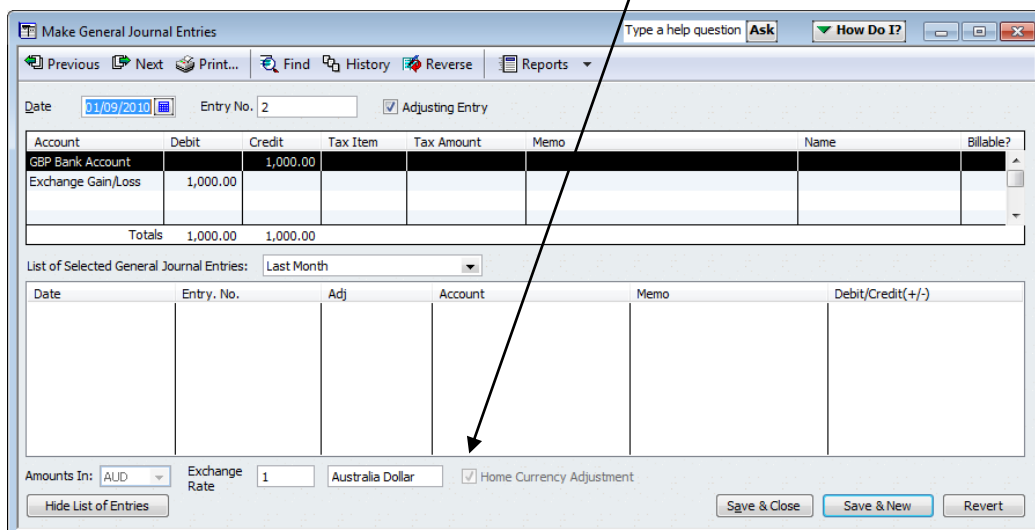
QuickBooks will again calculate the gain or loss on exchange

Trans #	Type	Date	Num	Name	Description	Account	Class	Debit	Credit
39	Bill Pmt -Cheque	05/09/2010		British Cables Plc		GBP Bank Account		704.88	
				British Cables Plc		Accounts Payable...		696.96	
				British Cables Plc	Exchange G...	Exchange Gain/Loss		7.92	
								704.88	704.88
TOTAL								704.88	704.88

Home Currency Adjustments

If you are using a foreign currency bank account, this can be managed in the same way as a normal bank account except that at year end, it will be necessary to adjust the balance in Australian dollars so that it reflects the current value in Australian dollars.

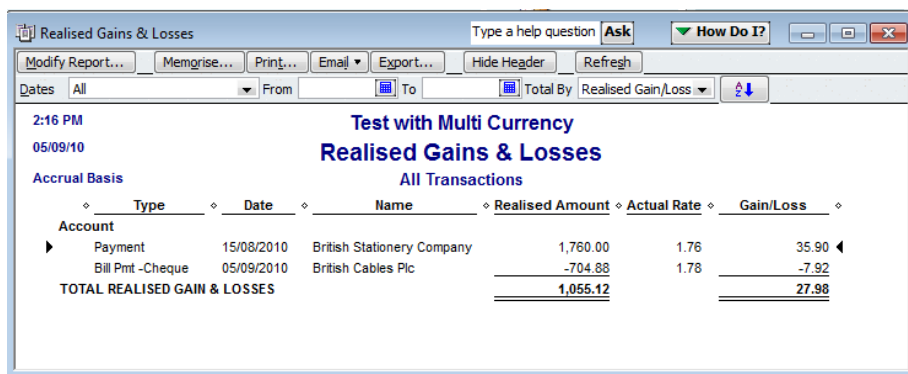
This is done via a general journal and ticking the box Home Currency Adjustment. This does not change the foreign currency amount – just the Australian dollar equivalent for correct financial reporting



Realised and Unrealised Gains/Losses Reporting

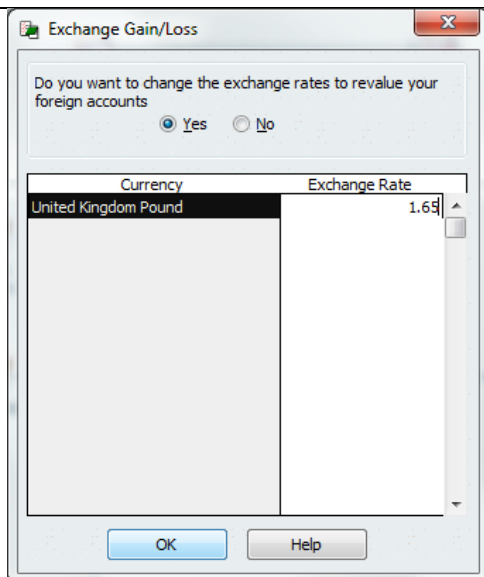
Under the Report menu is an additional heading – Multicurrency with two options – Realised and Unrealised gains and Losses.

The Realised Gains & Losses report will just provide a list of all the exchange rate variation amounts that QuickBooks has calculated



The Unrealised Gain Loss option will first ask if you want to revalue your accounts with foreign currency transactions. You can enter the rate that you want to use and press OK

Business EEz – Procedure



All accounts in that currency will then be revalued based on the rate entered. This is classified as an unrealised gain or loss as the actual amount has not been crystallised

Account	Current balance	Adjusted balance	Gain/Loss
GBP Bank Account	6,915.62	8,195.12	1,279.50
Accounts Receivable - GBP	15,876.96	16,057.38	180.42
Accounts Payable - GBP	-13,455.20	-13,608.10	-152.90
TOTAL UNREALISED GAIN & LOSSES			<u>1,307.02</u>

Rates: GBP 1.780000.

Hints when using Multi Currency

There are a few traps when using multi currency – the following may be of assistance

1. If a credit note is to be applied to an invoice or bill – use the same rate as the original Invoice or Bill
2. If you need to apply a credit to multiple Bills/Invoices with different exchange rates then split the credit by entering multiple credit notes at the same exchange rate as the original Bill or Invoice it applies to
3. Never go back and change the exchange rate on Bills/Invoices that have already been paid or have had a partial payment s/receipts made against them as then the matching payment/receipt s will also need to be amended otherwise there will be out of balance issues