

СЕКЦІЯ 1
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BASICS OF ACCOUNTING FOR EXCHANGE RATE DIFFERENCES

Abstract. The work examines the methodological foundations of accounting information on transactions in foreign currencies and the procedure for displaying the indicators of financial reporting items of business entities outside of Ukraine in the national currency of our country. The types of currency transactions and accounting accounts, thanks to which positive and negative exchange rate differences are displayed, are outlined.

Keywords. Accounting, exchange rate differences, currency, operations with currency values, currency conversion.

NP(S)BO 21 "Effect of changes in exchange rates" [1] defines the methodological basis for the formation in accounting of information on transactions in foreign currencies and the procedure for displaying the indicators of financial reporting items of economic units outside Ukraine in the monetary unit of Ukraine. Operations with currency values are such operations, the object of which is foreign currency.

Types of currency transactions:

- 1) Currency transaction on "tod" terms - this transaction is expected to be performed on the day of the conclusion of the contract.
- 2) Currency transaction on "tom" terms - this transaction is expected to be performed on the first working day after the day of conclusion of the contract.
- 3) Currency transactions on the terms of "swap" - involve the purchase (sale, exchange) of foreign currency with its reverse sale (purchase, exchange) on a certain date in the future with the fixation of the terms of these transactions (rates, volumes, exchange dates, etc.) at the time of conclusion contract
- 4) Foreign exchange transaction on "spot" terms - this transaction is expected to be performed on the second working day after the day of conclusion of the contract.
- 5) Foreign exchange transaction on "forward" terms - this transaction is expected to be performed (with the delivery of currency according to the contract) later than on the second working day after the day of conclusion of the contract.
- 6) A currency derivative is a standard document certifying the right and/or obligation to buy, sell and/or exchange a foreign currency on the terms specified in this document in the future.

Transactions in foreign currency are related to:

- transfer of ownership rights to currency values, with the exception of transactions carried out between residents in the currency of Ukraine;
- use of currency values in international circulation as a means of payment, with the transfer of debts and other obligations, the subject of which are currency values;
- importation, transfer and forwarding to the territory of Ukraine and exportation, transfer and forwarding outside its borders of currency values.

On the territory of Ukraine, foreign currency is classified as:

1. Convertible currencies, which are widely used for making payments for international transactions, currencies of European Union member countries and banking metals (has full external and internal turnover, it can be freely and unlimitedly exchanged for other foreign and national currencies).
2. Convertible currencies that are not widely used to make payments for international transactions.
3. Foreign currency with limited conversion.

All transactions, including those in foreign currency, are recorded in hryvnias in accounting. During the recognition of transactions in foreign currency, amounts in foreign currency should be converted into hryvnias using the NBU exchange rate.

Exchange rate difference is the difference between the estimates of the same number of units of foreign currency at different exchange rates, it is a consequence of a change in the exchange rate in case of liquidation of an open currency position or its revaluation. If the exchange rate is favorable, this position can result in a positive exchange rate difference, and if it is unfavorable, it can result in a negative exchange rate difference (exchange rate expenses).

According to clause 4 of NP(S)BO 21, exchange rate differences are calculated only for monetary items: currency on accounts, currency liabilities for goods sold, works and services received, currency debts for goods shipped, services and works rendered, debts for foreign currency credit, debt for repayable financial assistance in foreign currency, outstanding debt to the accountable person for approved expenses on a foreign business trip, etc.

Non-monetary items include any advances in currency - received or transferred. Such debt at the time of repayment is calculated at the rate of the NBU at the time of receiving (providing) the advance.

Exchange rate differences are calculated on the balance sheet date and on the date of the economic transaction. To determine exchange rate differences on the balance sheet date, the exchange rate at the end of the day on the balance sheet date is used. When determining exchange rate differences on the date of the economic transaction, the exchange rate at the beginning of the day of the transaction date is used. The enterprise can carry out a recalculation of balances at the end of the day for monetary items in foreign currency, for which economic transactions were carried out during the day using the exchange rate established at the end of that day.

Exchange rate differences from the translation of monetary items are reflected in other operating income or expenses. When determining the amount of exchange rate differences, the following assets are not subject to conversion: basic resources, intangible assets; low-value and fast-wearing items, raw materials, equipment, goods.

When including exchange rate differences in income or expenses, we display:

- for accounts receivable (when funds are owed to us), it is included in income if the exchange rate of the hryvnia to the corresponding foreign currency on the date of calculation of the exchange rate difference has decreased compared to the exchange rate on the date of the preliminary assessment;
- for accounts payable, the exchange rate difference is included in expenses if the hryvnia exchange rate has decreased. If the official exchange rate to the relevant foreign currency has increased, the exchange rate difference is included in income.

Information on income is summarized on sub-account 714 "Income from operational exchange rate difference", information on expenses on sub-account 945 "Loss from operational exchange rate difference" [2].

When assigning an exchange rate difference to operational or non-operational, it is necessary to be guided by what kind of operational, investment or financial operation is the transaction itself, as a result of which this exchange rate difference was formed.

A positive exchange rate difference "transits" through:

- account 714 "Income from operational exchange rate difference";
- account 744 "Income from non-operational exchange rate difference".

Negative exchange rate difference - the "transit" passes through:

- account 945 – "Loss from operational exchange rate difference";
- account 974 – "Loss from non-operational exchange rate difference", with further debiting to account 79 "Financial result".

So, in this work, the rules for displaying transactions in foreign currency in accounting were determined, the procedure for calculating exchange rate differences was revealed, and key issues related to the reproduction of such transactions in accounting and financial reporting were investigated. Thus, it can be concluded that changes in the taxation of foreign exchange transactions were based on NP(S)BO 21 "Effect of changes in exchange rates", which allows for slight fluctuations in the exchange rate to apply a rate equal to the average rate for a week or month.

References:

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