

EXCHANGE DIFFERENCES ACCOUNTING DUE TO NATIONAL AND INTERNATIONAL STANDARDS

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In the context of contemporary realities of independent Ukraine, when the ratio of national to foreign currency is constantly changing, the purchasing power of the hryvnia has steadily decreased and mark historic minimum [2, p. 69–75]. Very relevant is the process of correct and timely exchange differences accounting in the activities of enterprises in conditions of economic instability. It helps to minimize the risk of potential losses from the implementation of economic operations on movement of goods and services – traditional accounting in foreign economic relation, operations export, import, re-export, barter, sale, purchase of licenses, know-how, technical documentation, leasing of imported equipment (financial leasing) [1, p. 480].

Accounting of operations in foreign currency devoted to the works of such scientists as F. Butynets', I. Volkova, I. Zhyhley, N. Kolin'ko, D. Chyrka and others. Specifics of accounting of currency transactions in their works explored foreign scientists: V. Beti, ZH. Vihuru, P.Kason, Dzh. Makkenzi, D. Malet, YU.Maslyenchenkov, V.Nyemchinov, K. Par'fonov, A. Prost and others. However, issues of improvement of exchange differences accounting in the activity of enterprises of Ukraine is insufficiently studied at the present stage of development of the country. Therefore, it is appropriate to extend the research in this area [2, p. 69–75].

In modern conditions of development of the national economy the majority of enterprises of different ownership forms and spheres of economy dealing with foreign currency. Their sources may be: revenues from non-resident buyers, contributions to non-resident investors, the acquisition of the foreign exchange market for the settlement of non-resident suppliers and others [1, p. 480]. As a result of such economic transactions may occur so-called exchange rate difference.

Exchange difference – the difference between the valuations of the same quantity of foreign currency units of one type at different exchange rates. Exchange difference is the amount that occurs during accounting of assets and liabilities of the NBU exchange rate at the time of settlement operations, or at the time of preparation and are denominated in foreign currencies. Realistic assessment of monetary resources depending on exchange rate fluctuations [3, p. 271].

Due to IAS 21 (*The Effects of Changes in Foreign Exchange Rates*) Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates [5, 1628].

Considering synthetic and analytical accounting of exchange differences, attention should be paid to the accounts of 7, 8 and 9 classes. In respect of exchange differences accounting, the order of reflection of incomes and losses from them on national and international standards are given in table. 1.

Table. 1

Accounting entries for typical business transactions of Ukrainian enterprises in the field of foreign trade in the context of national and international standards

№	The content of the business transaction	Accounting entries in accordance with national standards		Accounting entries in accordance with international standards	
		Dt	Kt	Dt	Kt
1	Funds received from non-residents	312	362	A.01	L.02
2	An advance payment on current currency account received	312	681	A.01	L.09
3	Offsetting of debts	681	362	L.09	L.02
4	Exported goods	362	702	L.02	PL.01
5	Decommissioned the cost of goods	902	281	PL.02	A.06
6	Recognized financial results	791	902	PL.06	PL.02
		702	791	PL.01	PL.06
7	Revalued receivables	362	714	L.02	E.05
8	Overvalued currency funds	312	714	A.01	E.05
9	Overvalued currency funds to the accounts	945	312	E.05	A.01
10	Revalued receivables	945	362	E.06	L.02
11	Overrated payables	632	714	A.04	E.06
12	Transferred funds from foreign currency account to deposit	184	312	A.11	A.01
13	The recalculation carried out at the balance sheet date	184	744	A.11	E.09
		974	184	E.09	A.11

Source: built by author based on [4; 5]

The most important characteristic of exchange rate differences (positive and negative) is the impact on financial results (income or loss) of enterprise activities. Positive exchange rate differences are reflected:

- Operating– on the credit of subaccount 714 "Income from operating exchange differences";
- Non–operating – on the credit of subaccount 744 "Revenue from non–operating exchange differences".

In turn, negative exchange rate differences are recorded:

- operating – on the debit of subaccount 945 "Loss from operating exchange differences" (or subaccount 84 "other operating expenses");
- non–operating – on the debit of subaccount 974 "Loss from non–operating exchange differences" [2, p. 69–75].

In accordance with international practice, the exchange differences are resulted by the translation of income and expenses at exchange rates at the dates of transactions; assets and liabilities – at the closing exchange rate; the transfer of net assets at the beginning of the period at the closing rate that differs from previous closing rate[4].

Conclusions. Thus, in the long run, managers should consider operating exposure when setting strategy and worldwide product planning. In the short run, understanding operating exposure will often improve operating decisions. Also, the evaluation of a business unit and its managers should occur after exchange rate effects have been taken into account since they are outside management’s control.

References

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