

IFRS - Accounting for Foreign Exchange A Two-Day Programme



Aims and Objectives

The Aim of this course is that participants are introduced to the main requirements of IFRS as they relate to the foreign exchange transactions and translation and remeasurement of foreign subsidiaries. The course is designed as an overview to the main areas of the standards IAS 21, 32, 39 and IFRS 7. The course will also cover the reporting and presentation requirements through reference to illustrations, examples and case studies.

Methodology

The course will involve instruction in the rules of the accounting standards with a focus on actively involving participants in discussion and practical application of standards. The course will run on a workshop basis with each workshop including

- Short instructor-led sessions
- Slide presentations
- Practical exercises

Day One

Session 1

IFRS and Financial Statement Presentation

- Background to the IFRS standards
- The IASB Framework
- Significant IFRS developments in the accounting for financial services

Session 2

Foreign Currency Translation of Financial Statements IAS 21

- The functional currency approach
- Translation to the presentation currency
- Determining the average rate for translating the income statement
- Current rate method versus temporal method
- Consolidated financial statements
 - Translation of a foreign operation
 - Different reporting dates
 - Goodwill and fair value adjustments arising on an acquisition
 - Intra-group trading transactions
 - Unrealised profits on inventories
 - Monetary items
- Presentation and disclosure
 - Accounting policies
 - Convenience translation
 - Other disclosures
 - Cash flow statements

Session 2

Case Studies – Translation of Financial Statements

- Translation of a foreign subsidiary
- Translation of a foreign subsidiary with a different reporting date to that of the parent
- Translation of goodwill and fair value adjustments
- Loans made by parent to overseas subsidiary
- Treatment of exchange gains and losses
- Foreign operation in hyperinflationary environment
- Disclosure of exchange differences recognised in profit and loss
- Presentation of currency differs from functional currency

Day Two

Session 1

Foreign Currency Transactions IAS 21

- Initial recognition
- Determining the average rate
- Multiple exchange rates
- Suspension of rates
- Translation of monetary and non-monetary items
- Recognition of exchange differences

Session 2

Accounting for Financial Instruments – Foreign Currency Transaction Focus

- An introduction to the relevant accounting standards
- Objectives and scope of IAS 32, 39 and IFRS 7

Session 3

Recognition and Measurement IAS 39

- Background to the standards
- Scope of the standard and exclusions
- Definitions
- Classification criteria
- Measurement

Session 4

Hedge Accounting and Foreign currency Risk IAS 39

- Criteria that give rise to the need for hedge accounting
- Provisions and objectives of IAS39
- Hedge Criteria
- Fair Value Hedges
- Cash Flow Hedges
- Net Investment Hedges

Session 5

Case Studies – Foreign Currency Transactions

- Primary indicators of functional currency
- Determination of the functional currency
- Change in functional currency
- Suspension of foreign exchange rates
- Treatment of a foreign currency denominated purchase of fixed asset
- Translation of a revalued foreign asset

Course Summary and Evaluation