AccountMate
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Article # 1249

Technical Note: **Understanding the Multicurrency Feature in Accounts Receivable**

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
AccountMate 6.5 for SQL and MSDE
AccountMate 6.5 for LAN

Module(s) Affected: AR

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DESCRIPTION

During the course of operating a business, you may have the opportunity to establish relationships with customers who use currencies that are different from your home currency. For you to remain competitive in the international market, your accounting system must be flexible enough to handle customer transactions in various currencies. AccountMate's Accounts Receivable module offers the multicurrency feature that allows you to record customer transactions in foreign currencies, to revalue multi-currency invoices, and to recognize foreign exchange gains and losses. You can also transfer to General Ledger the multicurrency transactions in both home and foreign currencies.

This Technical Note discusses how to best use the multicurrency feature in the Accounts Receivable module. It also enumerates the Accounts Receivable reports that display values in both home and foreign currencies.

SOLUTION

A. How to activate and use the multicurrency feature in Accounts Receivable

The following paragraphs discuss the step-by-step procedures necessary to activate and to utilize the multicurrency feature in the Accounts Receivable module:

1. You must first activate the multicurrency feature in order to use it. To do this, follow these steps:

   a. Access AR Module Setup.

b. In the General (2) tab mark the Use Multi-Currency checkbox.

c. When the Currency Exchange Method window is displayed, choose the appropriate method necessary to define the exchange rates between the home currency and any foreign currencies. Select either of these options:

- 1 Unit Home Currency = N Units Foreign Currency
  This method configures the exchange rate as the ratio of the number of foreign currency units that is equivalent to one unit of home currency.

- N Units Home Currency = 1 Unit Foreign Currency
  This method configures the exchange rate as the ratio of the number of home currency units that is equivalent to one unit of foreign currency.

d. Click OK to save your settings and to return to the AR Module Setup function window.

e. If applicable, you may choose the Exchange Rate option in the Transaction Price Based On area. Choosing this option configures AccountMate to use the customer's currency's exchange rate as basis for the default unit prices of line items included in AR invoices.

f. Go to the GL Accounts tab, and assign a GL Account ID in the Unreal. Exch. Gain/Loss field. This GL Account ID will be used in posting any unrealized foreign exchange gains or losses resulting from the revaluation of multicurrency invoices.

Note: Once you have activated the multicurrency feature, you can no longer deactivate it. Activating multicurrency in the Accounts Receivable module automatically activates multicurrency in the Sales Order module in the same company, and vice versa.

2. Set up currency code records using the Currency Code Maintenance function.

3. Before recording multicurrency transactions, you must first assign currency codes to the applicable Maintenance functions:

- Customer-Settings tab
  The currency code assigned in the customer record will be used in recording the customer's transactions—invoices, payments, open credit refunds, etc.

- Bank Account-Information tab
  The currency code assigned in the bank account record will be used in recording the bank's transactions—deposits, checks, etc.

Note: Assigning a currency code in the customer and bank account records is a one-time setup. You cannot change the currency code once the customer or bank account record is saved.

4. When you have assigned currency codes to the customer and bank account records, you are then ready to record multicurrency transactions in the following functions:

- Post Customer Beginning Balance
- Create Invoice-Line Items tab
- Import Invoice (text file)
- Recurring Invoice Setup-Line Items tab
- Generate Recurring Invoice
- Create Sales Return without Invoice-Line Items tab
- Create Sales Return with Invoice-Line Items tab
- Apply Payment
- Refund Open Credit
- Apply Finance Charge
- Adjust Finance Charge (*available in AM7 for SQL/Express only*)
- Multi-Currency Revaluation

Notes:

- *Refer to the AccountMate Online Help and Electronic Manual for more details on how to use each function.*

- *Except when applying finance charges or generating recurring invoices where AccountMate uses the exchange rate specified in the currency code record, you may either accept or amend the currency code's default exchange rate when posting balances, recording transactions, or revaluing multicurrency invoices.*

- *Foreign exchange gains or losses may arise when the currency exchange rate fluctuates between the time of the initial transaction and its consummation or settlement. For example, when the currency exchange rate used during creation of an AR invoice differs from the exchange rate at the time the AR invoice is paid, AccountMate automatically calculates and records foreign exchange gain or loss.*

5. To verify accuracy of multicurrency transactions, you may generate certain reports that show the amounts in their foreign currencies. For more details, refer to section B of this document.

B. Reports that show multicurrency values

The following functions allow you to generate documents and reports showing the transaction amounts in foreign currencies:

- Print Invoice
- Print Payment Receipt (*available in AM7 for SQL/Express only*)
- Print Customer Statement
- Print Prepaid Memo
- Multi-Currency Price Listing
- Multi-Currency Reports
  - Currency Code Listing
  - AR Currency Gain/Loss Report
  - Bank Multi-Currency Report

Certain reports allow flexibility to show the transaction amounts either in home currency only or in both home and foreign currencies. To view the amounts in foreign currencies, mark the "Show Multi-Currencies" checkbox on the interface of the following reports:

- Invoice Reports
  - ➢ Invoice Summary Report
  - ➢ Invoice Line Item Report
- Payment Reports
  - ➢ Cash Receipts Report
  - ➢ Payment Distribution Report
- Receivable Reports
  - ➢ AR Status Report
  - ➢ Aging Report
  - ➢ Open Credit Report
  - ➢ Finance Charge Report
  - ➢ Finance Charge Exception Report (*available in AM7 for SQL/Express only*)
  - ➢ Refund Report
- Recurring Invoice Report
- Inventory Transactions Listing

A deeper understanding of the Accounts Receivable's multicurrency feature can help you maximize its use to better manage your foreign customer transactions. Proper management of your multicurrency customer transactions is vital not only to correctly reflect these transactions in the financial statements but also to remain competitive in the international market.