



CCI Learning Solutions

# QuickBooks Premier 2013

Level 2

Courseware 1731-1

MasterTrak Accounting Series



# Lesson 5: Working with Foreign Currencies

## Lesson Objectives

In this lesson you will learn how to set up QuickBooks to work with a foreign currency and how to perform transactions in the foreign currency. Upon successful completion of this lesson, you will be able to:

- activate the foreign currency feature
- update currency exchange rates, manually and automatically
- understand the use of an Exchange Gain/Loss account
- set up General Ledger accounts for foreign currency
- create foreign currency vendors and customers
- set item prices in foreign currency
- enter and pay bills in foreign currency
- enter sales invoices and receive payments in foreign currency
- create reports using foreign currency

## To Start This Lesson

Restore the *Classic Interiors Ltd. - your name lesson 4.QBB* data file saved after the previous lesson, **but prior to completing the Practice the Skills exercise**. Save it as *Classic Interiors Ltd. - your name lesson 5*.

## Dealing with Foreign Currency

When you buy or sell goods or services in other countries, you will be dealing in a foreign currency. The QuickBooks Premier version enables you to use any number of foreign currencies in addition to your home currency (e.g., Canadian Dollar).

Suppose you purchased US\$1,000 of goods from a vendor located in the United States when the exchange rate was US\$1.00 = CAD\$1.04. While you enter the bill in US dollars, QuickBooks will record this purchase "behind the scenes" in Canadian dollars, your home currency, as follows.

DR	Inventory	1,040.00	
CR	Accounts Payable		1,040.00

Now suppose that you pay the invoice 30 days later, and the Canadian dollar has depreciated to US\$1.00= CAD\$1.05. You will now require more Canadian dollars to pay the invoice than the amount recorded in the Accounts Payable account. You will enter the bill payment in US dollars, clearing the US\$1,000 payable. QuickBooks will take care of the “behind the scenes” transactions, knowing full well that CAD\$10.00 more is needed to clear out the payable. The difference is automatically allocated to the Exchange Gain/Loss account, as in the following accounting transaction:

DR	Accounts Payable	1,040.00	
DR	Exchange Gain/Loss	10.00	
CR	Chequing Bank Account		1,050.00

Another use for the Exchange Gain/Loss account is to handle rounding errors that result from the conversion calculation. Suppose the same purchase transaction above involved two types of inventory goods when the exchange rate was US\$1.00 = CAD\$1.04. The accounting transaction would appear as follows (the Foreign Currency Amount column is shown here for information purposes only):

		Foreign Currency Amount	Debit CAD	Credit CAD
DR	Inventory – Hardware	676.00	703.04	
DR	Inventory – Software	324.00	336.97	
CR	Exchange Gain/Loss			.01
CR	Accounts Payable	1,000.00		1,040.00
	Totals		1,040.01	1,040.01

When entering transactions in foreign currencies, it is important to enter the exchange rate as the last entry in the transaction. If a date change is made after entering the exchange rate, QuickBooks automatically defaults to the exchange rate in the currency list closest to the date entered in the transaction window. This can result in incorrect data being entered into the file.

## Setting Up Foreign Currency

To use a foreign currency, you must first set it up in QuickBooks. You must also set up the general ledger account to handle the currency exchange rate changes and the transaction calculation rounding.

### 1 2 3 LEARN THE SKILL

In this exercise, you will learn how to set up the United States dollar as a foreign currency and enter the current exchange rate.

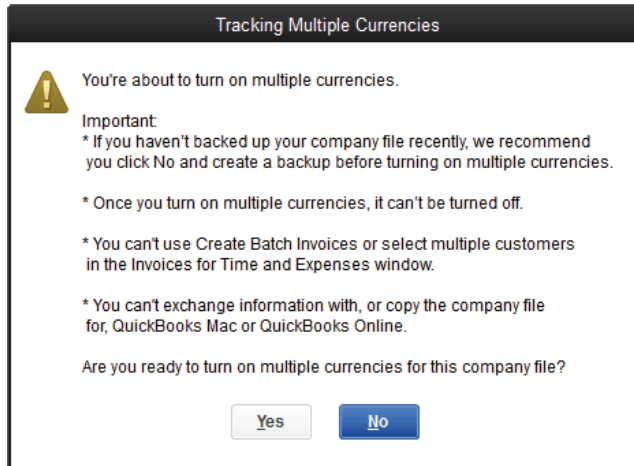
QuickBooks strongly recommends that you back up your data file before turning on multicurrency, as it cannot be turned off. As we have just restored our data file we will not be backing up the file.

- 1 Ensure the *Classic Interiors Ltd. - your name lesson 5* data file is open, and that the Home page is displayed.

Now activate the multicurrency feature.

- 2 Click **Edit, Preferences** on the menu bar.

- 3 Click **Multiple Currencies** on the left side of the Preferences window, and then click the **Company Preferences** tab.
- 4 Click **Yes, I use more than one currency.**




As this warning clearly states, once you have turned on multicurrency, you will not be able to turn it off. As you already have a backup of the data file, you can proceed with setting up multicurrency.

Even if you turned on multicurrency and no longer wish to use it, you should not be overly concerned. This feature simply adds some extra fields to many screens and columns on a number of reports. It will not affect the accuracy or integrity of your data.

- 5 Click **Yes** to close the warning message.

<b>Use multicurrency</b>	This activates the foreign currency capability. Once turned on, it cannot be turned off in this company data file.
<b>Home currency</b>	By default this is the Canadian Dollar.

- 6 If necessary, click the **home currency** drop-down list arrow and click **Canadian Dollar**.

 **Important:** If you select a home currency other than the Canadian Dollar, some features, such as payroll, online banking, and sales tax setup, will not be available.

- 7 Click **OK** to save and close the Preferences window.

A warning message is displayed to inform you that QuickBooks has to close all windows when it activates the multicurrency feature.

- 8 Click **OK** in the warning message.

- 9 If necessary, display the Home page.

- 10 Open the Preferences window again, click **Accounting, Company Preferences**, deselect **Prompt to assign classes**. Click **OK** to close the Preferences window

- 11 Click **Chart of Accounts** on the Home page.

NAME	TYPE	CURRENCY	BALANCE TOTAL
◊ RBC Chequing...	Bank	CAD	59,857.91
◊ RBC Credit Ca...	Bank	CAD	2,006.57
◊ TD Payroll Acc...	Bank	CAD	-253.04
◊ Accounts Rece...	Accounts Receivable	CAD	22,794.36
◊ Employee Adva...	Other Current Asset	CAD	0.00
◊ Prepaid Insura...	Other Current Asset	CAD	1,050.00
◊ Undeposited F...	Other Current Asset	CAD	0.00
◊ Accumulated D...	Fixed Asset	CAD	0.00
◊ Buildings and I...	Fixed Asset	CAD	0.00
◊ Furniture and ...	Fixed Asset	CAD	16,150.00
◊ Accumulate...	Fixed Asset	CAD	-2,350.00
◊ Cost	Fixed Asset	CAD	18,500.00
◊ Land	Fixed Asset	CAD	0.00
◊ Leasehold Imp...	Fixed Asset	CAD	111,350.00
◊ Accumulate...	Fixed Asset	CAD	-13,650.00
◊ Cost	Fixed Asset	CAD	125,000.00
◊ Vehicles	Fixed Asset	CAD	13,700.00
◊ Accumulate...	Fixed Asset	CAD	-3,250.00

Note that QuickBooks has added a **Currency** column to all accounts.

- 12** Now that we will be using multiple currencies, we need to set up an account to control the differences in rates over time. Right-click in the Chart of Accounts, select **New** and proceed with the following:

Type     Expense  
Name     Foreign Exchange Gain/Loss

- 13** Click **Save & Close**  
**14** Close the Chart of Accounts window.

## Updating the Foreign Currency Exchange Rate

QuickBooks has a default set of exchange rates that are out of date—they were correct at the time the software's multicurrency component was programmed. You will have to update these rates.

The fluctuations in the exchange rate will affect your profitability—an increase in the rate will increase the cost of buying foreign goods and services. Similarly, a decrease will reduce your revenue when the money is converted to Canadian dollars. Conversely, an increase in the rate will increase your revenue when the money is converted to Canadian dollars, and a decrease in the rate decreases the cost of buying foreign goods and services.

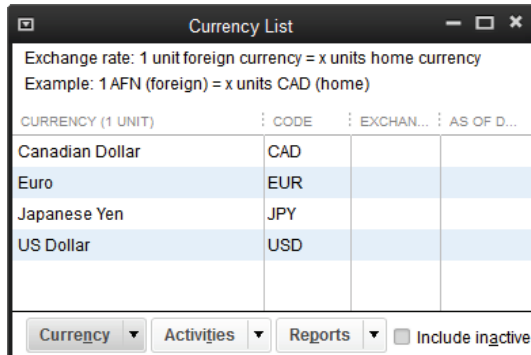
You must decide how often to update your exchange rates. Depending on how many transactions you conduct using foreign exchange and how quickly the exchange rate changes between your home currency and the foreign currencies you use, you may want to update more or less frequently than others. If you rarely have foreign currency transactions, you may want to update the one exchange rate whenever you have a transaction. If you have a modest volume or greater, then you may want to update them once a week or even daily.



## LEARN THE SKILL

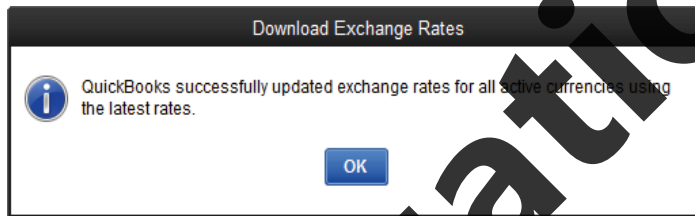
In this exercise, you will learn how to update the foreign currency exchange rates.

- 1 Click **Lists, Currency List** on the menu bar. Make sure **Include inactive** is not selected.



Let us update the exchange rates the easy way.

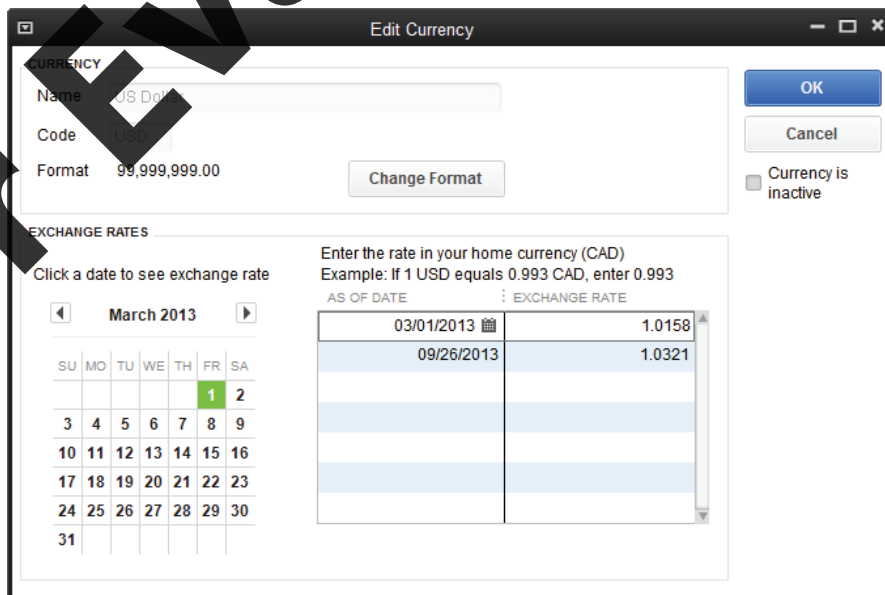
- 2 Click **Activities** on the bottom of the Currency List window, and then select **Download Latest Exchange Rates** from the list. The Rates downloaded will be of the real time date, and will not necessarily match those used in the creation of this manual.



- 3 Click **OK** to close the message.

Now manually change the exchange rate.

- 4 Right-click **US Dollar** and click **Edit Currency**.
- 5 Select **March 1, 2013** in the calendar.
- 6 In the Exchange Rate box, enter the value: 1.0158



The Exchange Rate is the conversion rate between your home currency and this foreign currency. Be sure to use the correct conversion formula: the number of Canadian dollars (the home currency) that equates to one whole unit in the foreign currency.

- 7 Click **OK** to close the Edit Currency window.
- 8 Close the Currency List.

## Setting Up a Foreign Currency Bank Account

If you frequently conduct transactions in a foreign currency, especially both purchases and sales, you should set up a bank account that is denominated in that currency to save the cost of conversion for each transaction. Most Canadian financial institutions offer US dollar accounts, so you can set up one of those if you are dealing in US dollars. Alternatively, you can set up an account in a financial institution located in the country where your foreign customers and/or vendors are located.

In either case, you must account for the transactions that flow through that bank account.



### LEARN THE SKILL

*In this exercise, you will learn how to set up a bank account for your foreign currency.*

- 1 Click **Chart of Accounts** on the Home page.
- 2 Right-click in the Chart of Accounts window and click **New**.
- 3 Enter the following information for this new General Ledger account:

Type	Bank
Name	RBC USD Account
Currency	US Dollar
Bank Acct. No.	200-990-1

The screenshot shows the 'Add New Account' window in QuickBooks. The 'Account Type' is set to 'Bank'. The 'Account Name' is 'RBC USD Account'. The 'Currency' is 'US Dollar'. The 'Bank Acct. No.' is '200-990-1'. There are buttons for 'Enter Opening Balance...' and 'Should I enter an opening balance?'.

- 4 Click **Save & Close** to save and close the Add New Account window.  
This new account shows up in the Chart of Accounts with a currency of US dollars.
- 5 Close the Chart of Accounts.



## LEARN THE SKILL

Now assume that you transferred US\$2,000 from your RBC Chequing Account (which is in Canadian dollars) to your RBC US Dollar Account.

- 1 Click **Banking, Transfer Funds** on the menu bar.
- 2 Enter the following information:

Date	March 4, 2013
Transfer Funds From	RBC Chequing Account
Transfer Funds To	RBC USD Account
Transfer Currency	US Dollar
Transfer Amount	2,000.00
Exchange Rate	1.0298
Memo	Funds Transfer

Note that the exchange rate is the rate that the bank gave you because you were buying US dollars. It is higher than the stored exchange rate because it includes the bank's exchange fee.

- 3 Click **Save & Close**.

A review of the RBC Chequing Account register shows the CDN dollar amount of the transfer.

03/04/2013				2,059.60		61,443.19
1.0298	TRANSF	RBC USD Account	Funds Transfer			

## Making Purchases in Foreign Currency

### Foreign Currency Accounts Payable

If you receive vendor bills that are denominated in a foreign currency, then you have to set up those vendors using the applicable foreign currency. Once you have set up foreign vendors, QuickBooks sets up an Accounts Payable account that is denominated in the applicable foreign currency.





Any vendors or customers that were created *before* turning on multicurrency would automatically be assigned the home currency. You can edit a vendor's or customer's currency (by double-clicking the name in the appropriate list) and changing the currency *only* if there have not been any transactions using that vendor or customer name.

If you receive vendor bills in multiple foreign currencies, then QuickBooks will set up an Accounts Payable account for each of those currencies. For example, if you purchase goods from vendors in the United States, Europe, and Hong Kong, then you will need a total of four Accounts Payable accounts: one denominated in Canadian dollars (always set up by default), one in US dollars, one in Euros, and one in HK dollars.

## Setting Up a Vendor

The process of setting up a vendor that uses a foreign currency is almost the same as that of a domestic vendor, except for the currency type. QuickBooks will automatically convert the vendor's invoices to the home currency whenever necessary, such as at payment time or printing of financial reports.

If you deal with vendors in both currencies (e.g. a Canadian-based company with outlets in the United States) a separate vendor record should be set up for the foreign currency transactions with the vendor. If the US outlet has the same name as its Canadian counterpart, differentiate between the two records by adding (US) or \* after the name for the US dollar record.



## LEARN THE SKILL

*In this exercise, you will learn how to set up a vendor that uses a foreign currency.*

- 1 Click **Vendors** on the icon bar, click **New Vendor** and then select **New Vendor**.

Enter the basic information about the vendor.

- 2 In the New Vendor window, enter the following:

Company Name     South West Interiors Inc.  
Opening Balance     Leave blank

Be sure to enter the "as of" date first, and then set the correct Currency for the vendor record. Once you have set the currency, you are unable to enter the "as of" date.

as of                     March 5, 2013  
Currency                 US Dollar  
Main Phone             1 291 444-3333  
Fax                         1 291 444-3334

Address Details        2379 Alamo Way  
                                   Houston, TX 94328  
                                   USA

VENDOR NAME: **South West Interiors Inc.**

OPENING BALANCE:  AS OF: 03/05/2013 [How do I determine the o](#)

**Address Info**

COMPANY NAME: **South West Interiors Inc.**

FULL NAME: **Mr./Ms./.** First

JOB TITLE:

Main Phone: **1 291 444-3333**

Work Phone:

Mobile:

Fax: **1 291 444-3334**

**ADDRESS DETAILS**

BILLED FROM

South West Interiors Inc.  
2379 Alamo Way  
Houston, TX 94328  
USA

[Copy >>](#)

- 3 Click the **Payment Settings** tab, and enter the following data:

Account No.        26781  
 Credit Limit        USD 5,000  
 Payment Terms    2% 10 Net 30

VENDOR NAME: **South West Interiors Inc.**

OPENING BALANCE:  AS OF: 03/05/2013 [How do I determine the opening balance?](#) CURRENCY: **US Dollar**

**Address Info**

ACCOUNT NO.: **26781** CREDIT LIMIT: **USD 5,000.00**

**Payment Settings**

PAYMENT TERMS: **2% 10 Net 30** BILLING RATE LEVEL:

**Sales Tax Settings**

PRINT NAME ON INVOICE AS: **South West Interiors Inc.**

- 4 Click the **Sales Tax Settings** tab and enter the following information:

Tax Code    E  
 Country    United States

- 5 Click the **Additional Info** tab and in the Vendor Type field select **Suppliers** from the drop-down list.

- 6 Click **OK**.

- 7 With the US customer selected, click the **Contacts** tab.

- 8 Right-click in the Contact Name column, select **Add New** and enter the following in the Contacts dialog box:

First Name        Hector  
 Last Name        Sanchez  
 Work Phone       1 291 444-3333 ext 22

- 9 Click **Save and Close**, and then close the Vendor Centre.

## Entering Vendor Bills in a Foreign Currency

QuickBooks recognizes when to use foreign currency pricing in a vendor bill based on the currency setting in the vendor record. The item prices will automatically display based on the home currency price converted using the current exchange rate.

You should expect to enter the item prices and set the exchange rate to the current rate on each invoice because these values are affected by frequent exchange rate fluctuations.



## LEARN THE SKILL

*In this exercise, you will learn how to create a purchase transaction with a vendor using foreign currency. Assume that no purchase order was issued previously.*

- 1 Click **Enter Bills** on the Home page.
- 2 Type in or select the following values in the Enter Bills window:

Vendor	South West Interiors Inc.
Date	March 7, 2013
Item	501
Qty	3
Cost	314.56
Tax	E (Tax Exempt)

**NOTE:** QuickBooks automatically enters “E” (Tax Exempt) as the vendor tax code when USD are selected as the currency for the Vendor.

Exchange Rate	1.0224
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If necessary click **Recalculate** to ensure your screen resembles the following:

The screenshot shows the 'Enter Bills' window in QuickBooks. The title bar reads 'Enter Bills - Accounts Payable - USD'. The window is divided into several sections:

- Toolbar:** Includes buttons for Find, New, Save, Delete, Memorize, Print, Select Entry Point, Clear Splits, Recalculate, and Pay Bill.
- Account Selection:** 'Bill' is selected, and 'Accounts Payable - USD' is chosen from the dropdown menu. 'Bill Received' is checked.
- Bill Information:**
  - VENDOR: South West Interiors Inc. (USD)
  - DATE: 03/07/2013
  - ADDRESS: South West Interiors Inc., 2379 Alamo Way, Houston, TX 74228, USA
  - REF. NO.: (empty)
  - AMOUNT DUE: USD 943.68
  - CAD 964.82
  - BILL DUE: 04/06/2013
  - TERMS: 2% 10 Net 30
  - DISCOUNT DATE: 03/17/2013
- Expenses Section:** Shows 'Expenses' for USD 0.00 and 'Items' for USD 943.68.
- Item Table:**

ITEM	DESCRIPTION	QTY	U/M	COST	T...	AMOUNT (...)	C...	B...	CLASS
Sofas:501	2 Seater - fabric	3	ea	314.56	E	943.68			
- Buttons:** 'Receive All', 'Show PO', 'VENDOR TAX CODE' (E), 'EXCHANGE RATE 1 USD =' (1.0224), 'USD 0.00', 'Edit', 'Save & Close', 'Save & New', 'Clear'.

Notice that all currency amounts on this form are in US dollars and the Accounts Payable – USD account was automatically selected. Note also that the CDN equivalent is also displayed.

- 3 Click **Save & Close**.

## Paying Bills in a Foreign Currency

Paying bills that are denominated in a foreign currency is much the same as paying bills in the home currency. You can even choose from which bank account, regardless of currency, to pay these bills. Normally you will use the bank account with the same currency as the vendor bills to minimize fees charged by banks for converting from one currency to another.

Be sure to use the current exchange rate when paying your foreign currency bills. The change in the rates will result in a currency exchange gain or loss.



### LEARN THE SKILL

*In this exercise you will learn how to pay a vendor bill that is denominated in a foreign currency. To keep the transaction simple, no early payment discount will be taken.*

- 1 Click **Pay Bills** in the Vendors section of the Home page.
- 2 Type in or select the following values in the Pay Bills window:
  - Show bills      Show all bills
  - A/P Account    Accounts Payable – USD
  - Click the ✓ column to select the South West Interiors Inc. invoice
  - Payment Date    March 22, 2013
  - Method            Cheque - To be Printed
  - Account          RBC USD Account (Click OK in the Setting Default Accounts window).
  - Exchange Rate   1.0198
  - Press the **Tab** key after entering the exchange rate to recalculate the Canadian amount.

**SELECT BILLS TO BE PAID**

Show bills:  Due on or before 03/17/2013  Show all bills

A/P Account: Accounts Payable - USD

Filter By: [Dropdown]

Sort By: Due Date

<input checked="" type="checkbox"/>	DATE DUE	VENDOR	INVOICE NO.	DUPLICATE	AMT. DUE	DISC. USED	CREDITS USED	AMT. TO PAY
<input checked="" type="checkbox"/>	04/06/2013	South West Interior...	0317/2013		943.68	0.00	0.00	943.68
Totals					USD 943.68	0.00	0.00	USD 943.68
					CAD 962.36			CAD 962.36

Clear Selections

**CREDIT INFORMATION FOR HIGHLIGHTED BILL**

Vendor: South West Interiors Inc.      Terms: 2% 10 Net 30      Number of Credits: 0

Bill Ref. No.: [Field]      Sugg. Discount: USD 0.00      Total Credits Available: USD 0.00

Go to Bill      Set Discount      Set Credits

**PAYMENT**

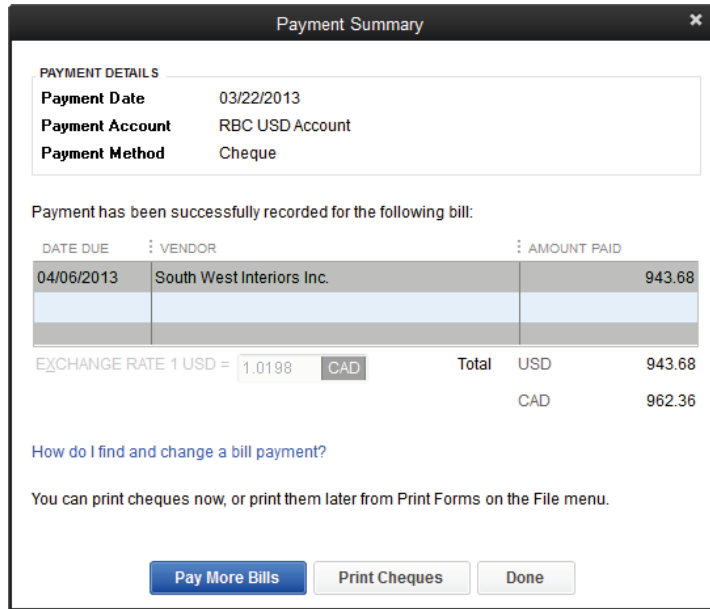
Date: 03/22/2013      Method: Cheque       To be printed      Account: RBC USD Account

Assign cheque no.      Ending Balance: USD 1,056.32

EXCHANGE RATE 1 USD = 1.0198 CAD

Pay Selected Bills      Cancel

- 3 Click **Pay Selected Bills**.



- 4 Click **Done** in the Payment Summary window.

The exchange rate differs from when the vendor bill was set up. Let's look at the transaction in more detail and the effect on the Exchange Gain/Loss account.

- 5 On the menu bar click **Reports, Accountant & Taxes, Transaction Detail by Account**. If a message about Collapsing and Expanding Transactions is displayed, click the **Do not display** checkbox, and then **OK**.
- 6 Change the date range from *March 19 to March 23, 2013* and click **Refresh**. Double-click the RBC USD Account **Bill Pmt – Cheque** transaction, to open it up, and click **Reports, Transaction Journal**.

**Classic Interiors Ltd.**  
**Transaction Journal**  
All Transactions

Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
Bill Pmt -Cheque	03/22/2013		South West Interio...	26781	RBC USD Account			962.36
			South West Interio...	26781	Accounts Payable...		964.82	
			South West Interio...	Exchange G...	Exchange Gain or ...			2.46
							964.82	964.82

This report clearly shows a foreign exchange gain when the vendor bill was paid: the Accounts Payable amount was CAD\$964.82 (using the exchange rate when the goods were purchased), and the bill was paid for CAD\$962.36, resulting in an exchange gain of \$2.46. QuickBooks automatically entered it for you.

- 7 Close all windows. Do not memorize the Transaction Detail by Account report.

## Pricing Inventory and Services

If you don't use foreign sales prices, when you add an item to a foreign form, the price of the item is converted from the home currency into the customer's currency using an exchange rate.

By setting up a fixed foreign price for an item, you ensure that the price remains consistent because it is no longer influenced by an ever-changing exchange rate. For example, a USD\$100.00 item may be priced at CAD\$105.00 on one day, and then CAD\$103.25 on the next day solely because of a change in the exchange rate. When setting a fixed foreign price you may still want to check the exchange rate on a regular basis in case the exchange rate fluctuates sufficiently to warrant a price change.

Using price levels, you can create foreign sales prices for all the currencies you use. You can even set up multiple sales prices within a single currency.



## LEARN THE SKILL

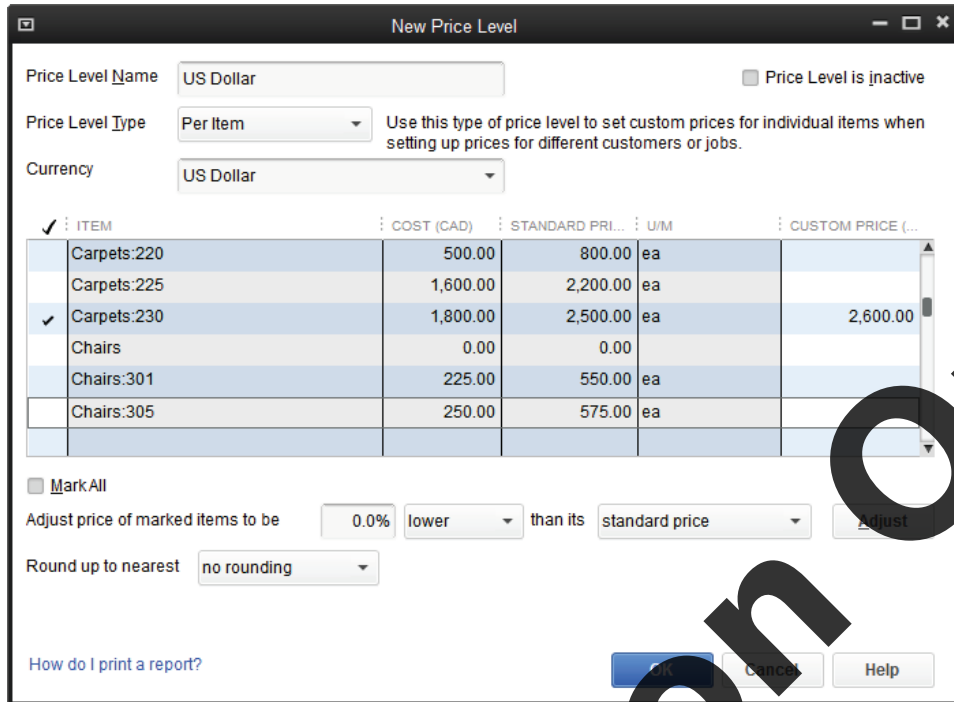
*In this exercise, you will learn how to enter foreign currency prices for your inventory.*

- 1 Click **Lists, Price Level List** on the menu bar.
- 2 Click **Price Level**, and **New**.
- 3 Type: **US Dollar** in the Price Level Name field, and leave the Price Level Type at **Per Item**. Select **US Dollar** in the Currency field.

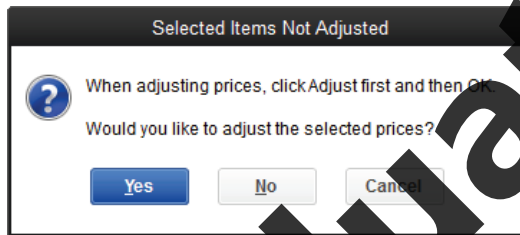
ITEM	COST (CAD)	STANDARD PRICE	U/M	CUSTOM PRICE (...)
S 105		50.00	hr	
S 110		75.00	ea	
Accessories	0.00	0.00		
Accessories:101	300.00	350.00	ea	
Accessories:105	125.00	225.00	ea	
Accessories:110	40.00	59.00	ea	

We are going to enter a foreign price in US dollars for the inventory item 230 – Tabriz Carpet.

- 4 Click in the ✓ column beside **Carpets: 230** and in the Custom Price column type: 2600.00.  
Your screen should resemble the following:



- Click **OK** to set the custom price. If the following warning screen is displayed, click **No**.



- With the US Dollar selected in the Price Level List, click **Price Level**, and **Edit Price Level**. Repeat step 4 to add more foreign prices:

Item	Description	Custom Price
225	Carpets: Gum	2,300.00
405	Lamps: Floor – Enamel	105.00
501	Sofa: 2 Seater Fabric	475.00
510	Sofa: 3 Seater Fabric	795.00

- When all prices have been entered, click **OK**. If necessary click **No** at the warning screen as in step 5.
- Close the Price Level List window.

### Price List Report with Foreign Prices

The Item List window does not show both the home currency and foreign currency price. The existing Price List report also shows only the home currency price for each item. You can modify the Price List report to also show the foreign price.



## LEARN THE SKILL

In this exercise, you will learn how to modify an existing report to show the foreign price and save it as a memorized report.

- 1 Click **Lists, Item List** from the menu bar.
- 2 Click **Reports** at the bottom of the Item List window and select **Price List** from the list.
- 3 Click **Customize Report** in the upper left of the Item Price List report window.
- 4 In the Modify Report dialog box, clear the **U/M** check box, the **Preferred Vendor** check box, and select the Foreign Price, (in this case **US Dollar Price (USD)**) check box.
- 5 Click the **Sort by** drop-down list arrow and select **Item** from the list.

- 6 Click the **Header/Footer** tab and change the Report Title to: Foreign Price List, the Subtitle to: March 2013, and clear the **Date Prepared** and **Time Prepared** check boxes.

- 7 Click **OK**.



Item	Description	Price	US Dollar Price (USD)
805	Complete Office Furnishing Package - Oak	3,000.00	3,000.00
Accessories		0.00	0.00
Accessories:101	Prints	350.00	350.00
Accessories:105	Sculptures	225.00	225.00
Accessories:110	Vases	59.00	59.00
Carpets		0.00	0.00
Carpets:201	Chinese Floral	550.00	550.00
Carpets:205	Indian Floral	900.00	900.00
Carpets:210	Isfahan	1,100.00	1,100.00
Carpets:215	Kashan	2,000.00	2,000.00
Carpets:220	Mashad	800.00	800.00
Carpets:225	Qum	2,200.00	2,300.00
Carpets:230	Tabriz	2,500.00	2,600.00
Chairs		0.00	0.00
Chairs:301	Classic armchair	550.00	550.00
Chairs:305	Classic highback	575.00	575.00
Chairs:310	Executive armchair	550.00	550.00
Chairs:315	Executive highback	650.00	650.00
Chairs:320	Prof-lounger	250.00	250.00
Chairs:325	Prof-swivel	225.00	225.00
Lamps		0.00	0.00
Lamps:401	Floor-brass	89.00	89.00
Lamps:405	Floor-enamel	99.00	105.00
Lamps:410	Spotlight-enamel	59.00	59.00
Lamps:415	Table-brass	69.00	69.00
Lamps:420	Wall-brass	25.00	25.00
Lamps:425	Wall-enamel	59.00	59.00

- 8 Click **Memorize** in the Item Price List report window.
- 9 In the Memorize Report dialog box, type in or select the following:

Name Foreign Price List  
Save in Customers

- 10 Click **OK**.
- 11 Close the Foreign Price List report and the Item List.

This report can now be redisplayed at any time by clicking **Reports, Memorized Reports, Customers, Foreign Price List** on the menu bar.

## Setting Up for Sales to Foreign Customers

### Foreign Currency Accounts Receivable

As with buying goods denominated in a foreign currency, sales to foreign customers will require an Accounts Receivable account in the applicable currency. You will need one Accounts Receivable account for each currency (including your home currency) in which you sell. As with Accounts Payable and foreign vendors, once a foreign customer is set up, QuickBooks automatically sets up the Accounts Receivable in the foreign currency.

## Setting Up Foreign Customers

The process of setting up a customer that uses a foreign currency is almost the same as that of a domestic customer, except for the currency type. QuickBooks will automatically convert the customer's invoices to the home currency whenever necessary, such as at payment time or printing of financial reports.

If you deal with customers to whom you will sell in more than one currency (e.g., a Canadian-based company with outlets in the United States), a separate customer name and record should be set up for each foreign currency used with the customer. If the US outlet has the same name as its Canadian counterpart, differentiate between the two records by adding (US) or \* after the name for the US dollar record. This differentiated name will appear in the Customer Name field, but the regular name that the customer sees will appear in the Company Name and Bill To and Ship To fields.



### LEARN THE SKILL

*In this exercise you will create a customer who deals in a foreign currency, (US dollars).*

- 1 Click **Customers** on the icon bar.
- 2 Click on the **New Customer & Job** button, and select **New Customer**.  
Enter the basic information about the customer.
- 3 In the New Customer window, enter the following:
 

Full Name	Mrs. Amanda K. Jackson
Opening Balance	Leave blank
as of	March 8, 2013 (enter before currency)
Currency	US Dollar
Main Phone	1 306 546-9874
Address Details	2368 Beech St. Buffalo, NY 94523 USA
- 4 In the Address Details area, click the **Copy** button. Review the information and click **OK**.

- 5 Click the **Payment Settings** tab, and enter the following data:

Account No.	23854
Credit Limit	USD 3,000
Payment Terms	Net 30

- 6 Click the **Sales Tax Settings** tab, and enter the following data:

Tax Code	E
Country	United States

- 7 Click the **Additional Info** tab, and in the Customer Type field, select **Retail** from the drop-down list.

- 8 Click **OK**.

Notice that this new customer has a currency setting of USD in the Customer Centre window.

- 9 Close the Customer Centre.

## Making Sales Using a Foreign Currency

Entering sales invoices using a foreign currency is nearly identical to using the home currency, except that all prices in the invoice are stated using the foreign currency. QuickBooks recognizes that the customer uses the foreign currency because you set the currency indicator in the customer record.



### LEARN THE SKILL

*In this exercise, you will learn how to create a sales invoice for a customer using foreign currency. Assume that they will pay later for this invoice.*

- 1 Click **Invoices, Create Invoices** on the Home page.

- 2 Type in or select the following data:

Customer: Job	Amanda K. Jackson
Date	March 22, 2013
Exchange Rate	Accept default rate
Via	UPS
Item 1	Qty: 1 Item: Carpets: 225 Class: Carpet Department.
Item 2	Qty: 1 Item: Lamps: 405

Under Price Each you have an option to select the Base Sales Price based on the daily exchange rate, which on this date was 1.0198 thus different from the rate used to set the USD price. Since this is a US customer, and the price quoted was the US price for each item, we will use the US Dollar prices for each item.

- 3 Click the **Price Each** drop-down and select **US Dollar** for both items.

Customer Message	Thank you for your business.
Exchange Rate	1.0198

CUSTOMER:JOB Amanda ... USD CLASS ACCOUNT Accounts R... TEMPLATE Intuit Produ...

# Invoice

DATE 03/22/2013 INVOICE # 1

INVOICE TO  
Amanda K. Jackson  
2368 Beech St.,  
Buffalo, NY 94523  
USA

SHIP TO Ship To 1  
Amanda K. Jackson  
2368 Beech St.,  
Buffalo, NY 94523  
USA

P.O. NO. TERMS Net 30 REP SHIP 03/22/2013 VIA UPS F.O.B.

QUANTI...	ITEM	DESCRIPTION	U/M	PRICE EA...	CLASS	AMOUNT	TAX
1	Carpet...	Qum	ea	2,300.00	Carpet Department	2,300.00	E
1	Lamp...	Floor-enamel	ea	105.00		105.00	E
						2,405.00	
						2,452.62	

EXCHANGE RATE 1 USD = 1.0198 CAD

CUSTOMER MESSAGE  
Thank you for your business.

MEMO CUSTOMER TAX CODE E

TOTAL USD 2,405.00  
PAYMENTS APPLIED USD 0.00  
BALANCE DUE USD 2,405.00  
CAD 2,452.62

Save & Close Save & New Clear

The amounts on this invoice are in US dollars, however the CAD equivalent at the rate shown on the invoice is also displayed.

- Click **Save & Close**. If necessary, ignore all spelling and say **NO** in the Exchange Rate Changed window.

The Tax code for the customer is E as this shipment was delivered to the client in the US. If the client had picked up the merchandise in Canada, we would have to charge her HST. The customer then has the ability to ask for a refund once she returns to the U.S.

## Receiving Customer Payments in a Foreign Currency

### 1 LEARN THE SKILL

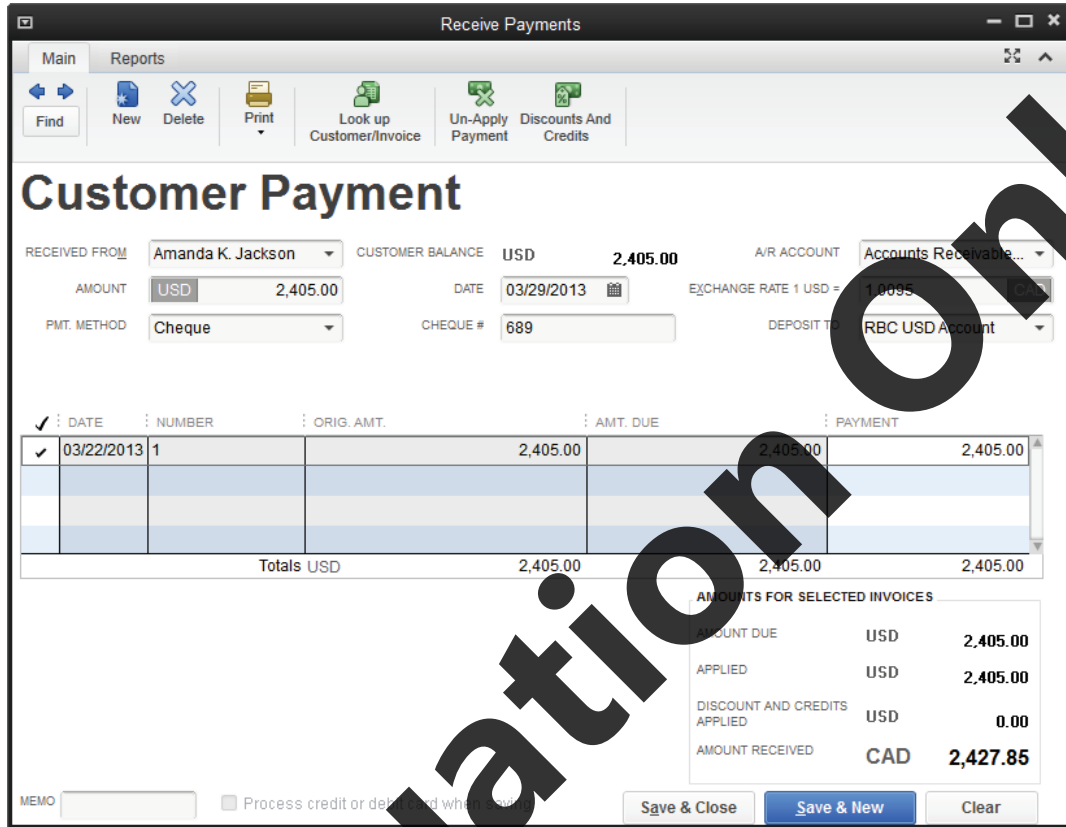
*This exercise will demonstrate how to record a customer payment that is denominated in a foreign currency. To keep the transaction simple, no early payment discount will be taken.*

- Click **Receive Payments** on the Home page.
- Type in or select the following values in the Receive Payments window:
 

Received From	Amanda K. Jackson
Amount USD	2,405.00
Date	March 29, 2013 – if an exchange rate message is displayed click <b>Cancel</b>
Exchange Rate	1.0095
Pmt. Method	Cheque
Cheque #	689
Deposit to	RBC USD Account

QuickBooks may display a Rate Changed message to inform you that you are using a different exchange rate from that currently in the database.

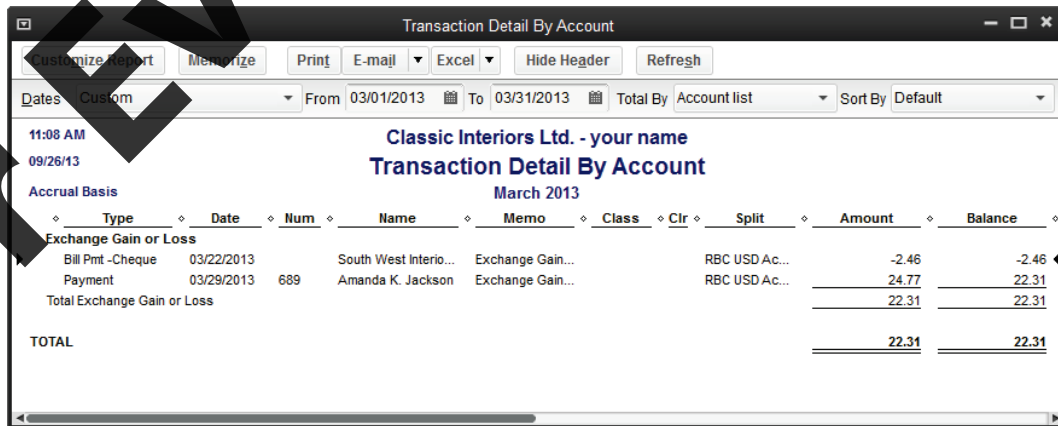
- 3 If necessary, click **No** in the Rate Changed message and decline updating the currency list for this currency
- 4 If necessary, click the ✓ column to select that customer invoice.



- 5 Click **Save & Close**.

Now look at the effect on the Exchange Gain/Loss account.

- 6 On the menu bar, click **Reports, Company & Financial, Profit & Loss Standard**, dates March 1-31, 2013. Click **Refresh**. Scroll down to Other Expense, and double-click on the 22.31 displayed in the Exchange Gain or Loss Account to see the details.



This report shows a foreign exchange loss on this transaction of CAD\$24.77. The Exchange Gain/Loss account is an expense account, so any positive numbers will decrease the Profit (or increase the Loss) at the bottom of the Profit & Loss statement. You can see this in more detail by double-clicking on any appearance of the Payment transaction, opening it up, and selecting **Transaction Journal** from the Reports menu at the top of the window.

- 7 Close the Transaction Detail By Account and Profit & Loss report windows. Do not memorize either.

## Foreign Currency Reporting

By default, most reports in QuickBooks (except for register printouts and bank reconciliation reports of foreign-denominated accounts) reflect the home currency value of foreign amounts. However, foreign currency figures can now be shown in a variety of reports using customization.



### LEARN THE SKILL

*In this exercise, you will create reports that reflect both Canadian and foreign currency values.*

- 1 Click **Reports, Customers & Receivables, A/R Aging Detail** on the menu bar.
- 2 Change the date to March 28, 2013 and click **Refresh**.

All QuickBooks reports show the amounts in the home currency only. Foreign currency amounts are automatically converted to the home currency value using the exchange rate used at the point of posting each transaction that affected the report.

- 3 Click **Customize Report**.
- 4 In the Modify Report dialog box, click the **Display** tab and select or clear the following columns, and then click **OK**:
  - P.O. # Turn off
  - Terms Turn off
  - Class Turn off
  - Foreign Amount Turn on
  - Currency Turn on

Dates		Custom	03/28/2013	Interval (days)	30	Through (days past due)	90	Sort By	Default
<b>Classic Interiors Ltd. - your name</b>									
<b>A/R Aging Detail</b>									
As of March 28, 2013									
Type	Date	Num	Name	Due Date	Aging	Open Balance	Foreign Amount	Currency	
<b>Current</b>									
Invoice	02/27/2013	139	Ontario Credit Union	03/29/2013		3,524.47	3,524.47	CAD	
Invoice	03/07/2013	141	Carr Employment A...	04/06/2013		3,390.00	3,390.00	CAD	
Invoice	03/14/2013	140	Dubhei Consulate	04/13/2013		2,417.07	2,417.07	CAD	
Invoice	03/22/2013	1	Amanda K. Jackson	04/21/2013		<u>2,452.62</u>	<u>2,405.00</u>	USD	
<b>Total Current</b>						11,784.16			
<b>1 - 30</b>									
Invoice	02/04/2013	135	J. Ilyich, Accountant	03/06/2013	22	4,915.50	4,915.50	CAD	
Invoice	02/14/2013	136	Rudd Manpower C...	03/16/2013	12	3,321.07	3,321.07	CAD	
Invoice	02/22/2013	138	Carr Employment A...	03/24/2013	4	<u>1,779.75</u>	<u>1,779.75</u>	CAD	
<b>Total 1 - 30</b>						10,016.32			
<b>31 - 60</b>									
Invoice	02/14/2013	137	Kenneth Morton	02/14/2013	42	<u>2,486.00</u>	<u>2,486.00</u>	CAD	
<b>Total 31 - 60</b>						2,486.00			
<b>61 - 90</b>									
<b>Total 61 - 90</b>									
<b>&gt; 90</b>									
<b>Total &gt; 90</b>									
<b>TOTAL</b>						<u>24,286.48</u>			

Notice that a Foreign Amount value shows for all invoices, regardless of whether they were denominated in the home currency or a foreign currency. Also note that the Open Balance for the USD invoice may differ from the figures displayed above, depending on the actual exchange rate as of the date this is processed. There is no total for the Foreign Amount column as it is, in fact, meaningless, being a total of a mixture of currencies. (To show only invoices of one currency, click **Customize Report, Filters, Account** and choose the Accounts Receivable Account you want to see).

- 5 Close the A/R Aging Detail report. Do not memorize.
- 6 Click **Reports, Sales, Sales by Customer Detail** on the menu bar.
- 7 Change the date range to March 1 to 31, 2013 and click **Refresh**.
- 8 Click **Customize Report**.
- 9 In the Modify Report dialog box, click the **Display** tab, select the following columns, and click **OK**.

Num Turn off  
Foreign Amount Turn on



Foreign Amount figures may differ, depending on the current rate of exchange.

- 10 If necessary, scroll to view the entire report.

Type	Date	Memo	Name	Item	Qty	U/M	Sales Price	Amount	Balance	Foreign Amount
<b>Classic Interiors Ltd. - your name</b>										
<b>Sales by Customer Detail</b>										
March 2013										
Accrual Basis										
Amanda K. Jackson										
Invoice	03/22/2013	Qum	Amanda K. Jackson	Carpets...	1	ea	2,345.54	2,345.54	2,345.54	2,300.00
Invoice	03/22/2013	Floor-enamel	Amanda K. Jackson	Lamps:4...	1	ea	107.079	107.08	2,452.62	105.00
Total Amanda K. Jackson								2,452.62	2,452.62	
Carr Employment Agency										
Invoice	03/07/2013	Complete O...	Carr Employment A...	305 (Co...	1	ea	3,000.00	3,000.00	3,000.00	3,000.00
Total Carr Employment Agency								3,000.00	3,000.00	
Dr. Denise Schultz										
Sales Receipt	03/09/2013	Mahad	Dr. Denise Schultz	Carpets...	1	ea	800.00	800.00	800.00	800.00
Total Dr. Denise Schultz								800.00	800.00	
Dubhei Consulate										
Invoice	03/14/2013	Isahan	Dubhei Consulate	Carpets...	1	ea	1,100.00	1,100.00	1,100.00	1,100.00
Invoice	03/14/2013	Mahogany c...	Dubhei Consulate	Tables:6...	1	ea	550.00	550.00	1,650.00	550.00
Invoice	03/14/2013	End Table S...	Dubhei Consulate	Tables:6...	1	ea	489.00	489.00	2,139.00	489.00
Total Dubhei Consulate								2,139.00	2,139.00	
Martinez Advertising Inc.										
Design Office										
Invoice	03/29/2013	Design cons...	Martinez Advertisi...	S 115 (D...	17	hr	50.00	850.00	850.00	850.00
Total Design Office								850.00	850.00	
Total Martinez Advertising Inc.								850.00	850.00	
Suzanne Blackstone										
Sales Receipt	03/06/2013	Prints	Suzanne Blackstone	Access...	1	ea	350.00	350.00	350.00	350.00
Sales Receipt	03/06/2013	Floor-brass	Suzanne Blackstone	Lamps:4...	1	ea	89.00	89.00	439.00	89.00
Sales Receipt	03/06/2013	Glass coffe...	Suzanne Blackstone	Tables:6...	1	ea	550.00	550.00	989.00	550.00
Total Suzanne Blackstone								989.00	989.00	
<b>TOTAL</b>					<b>27</b>			<b>10,230.62</b>	<b>10,230.62</b>	

- 11 Close the Sales by Customer Detail report. Do not memorize.
- 12 Click **Reports, Accountant & Taxes, General Ledger** on the menu bar.
- 13 Change the date range to March 1 to 31, 2013 and click **Refresh**.
- 14 Click **Customize Report**.

- 15 In the Modify Report dialog box, click the **Display** tab and select the **Foreign Balance** column to display in the report. Adjust the report to show only those columns shown below. Click **OK**.
- 16 If necessary, scroll down to view the RBC USD Account

Accrual Basis	Type	Date	Num	Name	Split	Amount	Balance	Foreign Balance
RBC USD Account							0.00	0.00
Transfer	03/04/2013				RBC Chequin...	2,059.60	2,059.60	2,000.00
Bill Pmt -Cheque	03/22/2013			South West Interio...	-SPLIT-	-962.36	1,097.24	1,056.32
Payment	03/29/2013	689	Amanda K. Jackson	Accounts Re...		2,427.85	3,525.09	3,461.32
Total RBC USD Account						3,525.09	3,525.09	3,461.32

- 17 Close the General Ledger report. Do not memorize.
- 18 Back up the data file as Classic Interiors Ltd. - your name lesson 5.qbb.

## Lesson Summary

In this lesson you have learned how to set up QuickBooks to work with a foreign currency and how to perform transactions in the foreign currency. Now that you have completed this lesson, you should be able to:

- activate the foreign currency feature
- update currency exchange rates, manually and automatically
- understand the use of an Exchange Gain/Loss account
- set up General Ledger accounts for foreign currency
- create foreign currency vendors and customers
- set item prices in foreign currency
- enter and pay bills in foreign currency
- enter sales invoices and receive payments in foreign currency
- create reports in foreign currency



## PRACTICE THE SKILL

The following additional exercise covers many of the items discussed in this lesson. It is included in this lesson as extra practice and may be completed by the students in class or on their own. Your instructor has access to the Answer Key for these exercises.

Please note that if these exercises are completed, they will affect the end results in the data file, and thus reports etc. in Lesson 6, will have different figures than those shown in the manual. To avoid this, it is recommended that the student back up the data file at the end of each lesson prior to completing the extra exercises. At the beginning of the next lesson, it will then be necessary to restore the prior lesson backup before continuing with the next lesson.

- 1 From the currency list, display the Realized Gain/Loss Report for March 2013.
- 2 Download the latest exchange rates.



- 3 Enter the following bill from American Lighting Inc. (add new USD Vendor, remembering to add the **as of date** first, before selecting US currency).

Date: March 22, 2013 (Click **OK** if a warning about exchange rates is displayed)  
 Terms: Net 30  
 Item 1: Lamps: 401    Item 2: Lamps: 420  
 Qty: 5 ea (watch the u/m)    Qty: 1 dz  
 Cost: USD 48.00    Cost: USD 225.00  
 Tax: E    Tax: E  
 Exchange Rate: 1.0138  
 Total USD \$465.00    Total CAD \$471.42

Save & Close. Say **No** to save the currency's exchange rate for the date in your Notice.

- 4 Create the following invoice for Susan Merriman (add new USD customer)

Date: March 25, 2013 (Click **OK** if a warning about exchange rates is displayed)  
 Terms: Net 30  
 Item 1: Chairs: 305    Item 2: Carpets: 230  
 Qty: 1    Qty: 1  
 Price: Base Sales Price    Price: US Dollar  
 Tax: E    Tax: E  
 Exchange Rate: 1.0198  
 Total USD \$3,163.84    Total CAD \$3,226.48

Save & Close.

If necessary, say **NO** in the Exchange Rate Changed window, and ignore the spelling warning.

- 5 Pay the bill owing to American Lighting Ltd. from the RBC USD account,

Date: April 8, 2013.  
 Exchange Rate: 1.0158    USD \$465    CAD \$472.35

- 6 Receive payment from Susan Merriman.

Date: April 11, 2013  
 Cheque: 359  
 Bank: RBC USD account  
 Exchange Rate: 1.0178    USD \$3,163.84    CAD\$ 3,220.16

If necessary, say **NO** in the Exchange Rate Changed window.

- 7 From the currency list, display the Realized Gain/Loss Report from March 1, 2013 to April 15, 2013.

## Review Questions

1. How many foreign currencies can be set up in QuickBooks Premier?
2. Where do you set up the system to use foreign currency?
3. Selling prices in foreign currency should have an allowance for exchange rate fluctuations built into them.
  - a. True
  - b. False
4. How many prices can be set up for an inventory item in foreign currencies?
5. A customer or vendor record cannot have dealings in more than one currency. A separate record is required for the foreign transactions.
  - a. True
  - b. False
6. The exchange rate can be changed for each individual foreign currency transaction in QuickBooks.
  - a. True
  - b. False
7. Why is it important to always enter the exchange rate as the last entry in a foreign currency transaction?
8. All foreign currency transactions are converted into Canadian currency before being recorded in QuickBooks.
  - a. True
  - b. False
9. You must set up a foreign currency bank account if you make payments or receive money in that foreign currency.
  - a. True
  - b. False
10. You must set up a foreign currency Accounts Payable account if you purchase goods or services on account in that foreign currency.
  - a. True
  - b. False
11. You must set up a separate Accounts Payable account for each foreign currency that you purchase goods or services on account.
  - a. True
  - b. False
12. You must set up a foreign currency Accounts Receivable account if you sell goods or services to customers on account in that foreign currency.
  - a. True
  - b. False
13. The reports can be set to display either foreign currency values or Canadian dollar values.
  - a. True
  - b. False
14. When you run a General Ledger (or similar) report, a negative amount showing for the Exchange Gain/Loss account means you have lost money as a result of currency exchange.
  - a. True
  - b. False

**For Evaluation Only**