

**FOREIGN CURRENCY EXCHANGE GAIN/LOSS
(APPLICABILITY OF AS-11 &16)**

FOR MONETARY ITEMS	FOR NON-MONETARY ITEMS	
	[GSR NOTIFICATION 913(E)]	
	1ST STEP	CHECK WHAT WOULD BE INTEREST IF SUCH LOANS ARE TAKEN IN INDIAN Rs.
	2ND STEP	WHAT IS INTEREST SAVED AMOUNT? [AMOUNT OF INTEREST IN INR (-) ACTUAL INTEREST OF FCTL]
	3RD STEP	IF EXCHANGE FLUC > INTEREST SAVED THEN EXCESS AMOUNT TRANSFER TO ASSET ACCOUNT [GSR NOTIFICATION 913(E)] AND INTEREST SAVED PORTION IS TO BE TRANSFER TO P&L
DR/CR IN P&L	4TH STEP	IF EXCHANGE FLUC < INTEREST SAVED THEN FULL EXCHANGE FLUC IS TRANSFER TO P&L

HYPOTHETICAL EXAMPLE :

IF COMPANY HAS A FOREIGN CURRENCY TERM LOAN AND HAD FOLLOWING TYPE OF REPAYMENT SCHEDULE :

PART -A		U S D			RATE		
DATE	OPENING	INSTALLMENT	CLOSING	LOAN	INSTALLMENT RATE	INST. AMT	EX. FL.
01/04/2011	25000000.00		25000000.00	44.65			
18/04/2011	25000000.00	552000	24448000.00	44.65	48.00	26496000	-1849200
30/05/2011	24448000.00	552000	23896000.00	44.65	49.00	27048000	-2401200
30/06/2011	23896000.00	552000	23344000.00	44.65	49.50	27324000	-2677200
22/07/2011	23344000.00	552000	22792000.00	44.65	44.65	24646800	0
30/08/2011	22792000.00	552000	22240000.00	44.65	44.00	24288000	358800
29/09/2011	22240000.00	552000	21688000.00	44.65	47.00	25944000	-1297200
29/09/2011	21688000.00	552000	21136000.00	44.65	46.65	25750800	-1104000
31/03/2012	21136000.00		21136000.00	44.65	49.50	0	-102509600
				(CLOSING RATE)			
				TOTAL FLUCTUATION LOSS			-111479600
				FCTL INTEREST (ASSUMED)			Rs. 99020352

PART-B					44.65	14%
DATE	OPENING	INSTALLMENT	CLOSING	DAYS	LOAN O/S	INTEREST
01/04/2011	25000000.00		25000000.00	17	1116250000	7278562
18/04/2011	25000000.00	552000	24448000.00	42	1091603200	17585279
30/05/2011	24448000.00	552000	23896000.00	31	1066956400	12686550
30/06/2011	23896000.00	552000	23344000.00	22	1042309600	8795380
22/07/2011	23344000.00	552000	22792000.00	39	1017662800	15223120
30/08/2011	22792000.00	552000	22240000.00	30	993016000	11426485
29/09/2011	22240000.00	552000	21688000.00	0	968369200	0
29/09/2011	21688000.00	552000	21136000.00	184	943722400	66603532
31/03/2012	21136000.00		21136000.00			
					INTEREST IN INR	139598908

CALCULATED INTEREST IN INR	ASSUME FCTL INTEREST	EXCHANGE RATE FLUCTUATION	INTEREST SAVED SAVED	EXCHANGE FLUCTUATION CAPITALISED	EXCHANGE FLUCTUATION FOR P&L
(A)	(B)	(C)	(D) = (A)-(B)	(E)	(F)
139598908	99020352	111479600	40578556	70901044	40578556

NOTES :

---> PART-A IS ACTUAL DATA IN BOOKS OF ACCOUNTS. WHEREIN EXCHANGE FLUC LOSS OF Rs. 111479600 HAS OCCURRED.
 ---> PART-B IS CALCULATED ON ASSUMPTION BASIS WHEREIN IT IS ASSUMED THAT AT WHAT INTEREST RATE LOAN IN INDIAN Rs. WILL BE AVAILABLE.
 ---> IN PART-B Rs.139598908 IS INTEREST IN INR AND ASSUMED THAT Rs. 99020352 IS ACTUAL INTEREST OF FCTL AND FURTHER CALCULATION IS BEEN MADE.

CONCLUSION :

OUT OF THE EXCHANGE LOSS OF Rs.111479600 AMOUNT OF Rs. 70901044(E) IS TO BE CAPITALISED TO COST OF ASSETS

AND BALANCE AMOUNT Rs. 40578556 (F) INTEREST SAVED PORTION IS DEBITED TO P&L ACCOUNT [AS PER GSR NOTIFICATION 913(E)]