Insertion of new paragraph 46 in AS 11, *The Effects of Changes in Foreign Exchange Rates*, issued by The Institute of Chartered Accountants of India, for their applicability to entities other than companies

1. The Ministry of Corporate Affairs, Government of India, inserted paragraph 46 by notification dated 31st March, 2009 which was subsequently modified in 2011 by notification dated May 11, 2011 and notification dated 29th December, 2011 and paragraph 46A in AS 11, inserted by notification dated 29th December, 2011, after paragraph 45 of AS 11 notified under the Companies (Accounting Standards) rules,2006.

2. The Council of the Institute of Chartered Accountants of India (ICAI) considered the proposal for providing the option available to the companies under paragraphs 46 and 46A of AS 11 notified by the Ministry of Corporate Affairs to those entities to which the Accounting Standards notified under Companies Act, 1956 are not applicable. The Council decided that the options available under paragraphs 46 and 46A of AS 11 notified by the Central Government be also made available to the aforementioned entities.

3. In view of the above, paragraphs 46 and 46A introduced in AS 11, modified from time to time, as applicable to companies, shall be deemed to be introduced in AS 11 issued by ICAI for entities to which the Companies Act is not applicable with effect from the accounting periods as stated in paragraph 1 above as follows:

"46 (1) In respect of accounting periods commencing on or after the 7th December 2006, (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and should be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long term asset or liability, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with the provisions of paragraph 15.

(2) To exercise the option referred to in sub-paragraph (1), an asset or liability should be designated as a long term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of twelve months or more at the date of origination of the asset or the liability:

Provided that the option exercised by the enterprise should disclose the fact of such option and of the amount remaining to be amortised in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortised."