

A photograph of two women sitting at a table in a meeting room. The woman on the left has long red hair and is looking at a laptop. The woman on the right has dark curly hair and is looking at the laptop. There are white chairs, a table with a laptop, and a glass of water. A red vertical bar is on the left side of the image.

PSAB AT A GLANCE

Section PS 2601 - Foreign Currency Translation

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Effective Date
Fiscal years beginning on or after April 1, 2022¹

DEFINITIONS

FOREIGN CURRENCY TRANSACTIONS	EXCHANGE GAIN OR LOSS	REMEASUREMENT GAINS AND LOSSES
<ul style="list-style-type: none"> Transactions of the government whose terms are denominated in a currency other than its reporting currency. They include transactions arising when a government either: <ul style="list-style-type: none"> Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or Becomes a party to a contract involving foreign currencies. 	<ul style="list-style-type: none"> The difference that arises when a monetary item denominated in a foreign currency or a non-monetary item denominated in a foreign currency that is included in the fair value category in accordance with Section PS 3450, <i>Financial Instruments</i>, is settled or translated at an exchange rate different from that at which it was previously recorded or carried. 	<ul style="list-style-type: none"> Include revenues and expenses arising: <ul style="list-style-type: none"> When prior to an item's settlement an exchange gain or loss is recognized in accordance with the provisions of this Section; and When financial instruments in the fair value category are remeasured in accordance with Section PS 3450, <i>Financial Instruments</i>.

ACCOUNTING

INITIAL RECOGNITION
<ul style="list-style-type: none"> At the transaction date, each asset, liability and amount reported in the Statement of Operations arising from a foreign currency transaction of the government must be translated into Canadian dollars by applying the exchange rate in effect at that date.

SUBSEQUENT FINANCIAL STATEMENT DATES
<ul style="list-style-type: none"> At each financial statement date, the following must be adjusted to reflect the exchange rate in effect at that date: <ul style="list-style-type: none"> Monetary assets and monetary liabilities denominate in a foreign currency; and Non-monetary items denominated in a foreign currency that are included in the fair value category in accordance with Section PS 3450, <i>Financial Instruments</i>.

EXCHANGE GAINS AND LOSSES
<ul style="list-style-type: none"> Arise due to changes in the foreign exchange rate between the transaction date and the subsequent financial statement dates. Must be accounted for in the financial statements. There is uncertainty during the life of a foreign currency denominated item as to the actual gain or loss that will arise upon settlement.

PRESENTATION
<ul style="list-style-type: none"> An exchange gain or loss that arises prior to settlement is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement: <ul style="list-style-type: none"> The cumulative amount of remeasurement gains and losses is reversed in the Statement of Remeasurement Gains and Losses; and An exchange gain or loss measured in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations.

¹ For those government organizations that applied the CPA Canada Handbook - Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook, this Section applies to fiscal years beginning on or after April 1, 2012. Governments and government organizations would also adopt Section PS 3450, *Financial Instruments*, at the same time. Earlier adoption is permitted.



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