PSAB At a Glance

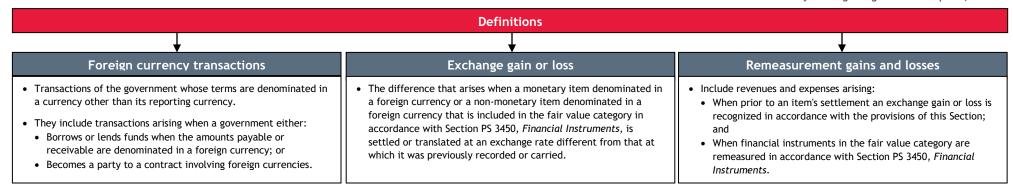
Section PS 2601 - Foreign Currency Translation





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



Accounting

Initial recognition

• 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

- At each financial statement date, the following must be adjusted to reflect the exchange rate in effect at that date:
 - 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, Financial Instruments.

Exchange gains and losses

- 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

- 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:
 - 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 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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