

Using Unlimited Global Currencies With Deltek Vision®

Deltek Vision's Multicurrency Module

KEY BENEFITS:

- **Currency configuration**
- **Currency types**
- **Managing and billing projects in multiple currencies**
- **Transaction processing**
- **Employee labor and expense charge**
- **Project planning**
- **Client relationship management**
- **Reporting**
- **Cosolidated reporting with multiple currencies**
- **Currency exchange**
- **Foreign currency denominated accounts**

The Vision Multicurrency module allows a firm to transact business in any number of global currencies, while maintaining core financial records in a single "functional currency." It's designed to meet the accounting, project control, project planning, resource management and CRM needs of any enterprise that uses multiple currencies — from a complex global enterprise that transacts business daily in numerous currencies, to a single company that occasionally does business in foreign currencies.

EXECUTIVE SUMMARY

The core features of the Multicurrency module include:

- The ability to process transactions in any currency, including the ability to:
 - Record vendor invoices in any currency.
 - Generate client invoices in any currency.
 - Process payments and receipts in any currency.
 - Process employee expense reports containing expense items in different currencies.
- The option to manage a project in one currency and bill for the project in a different currency.
- Pre-configured currency settings — including the currency symbol and number of decimal places — for all ISO-recognized currencies.
- Exchange rates that are stored by day, so that a transaction can be associated with the

exchange rate that was in effect on the date the transaction occurred.

- The ability to override the exchange rate for an individual transaction.
- Support for inverse exchange rates and triangulation.
- Integration with the Vision Multicompany feature, which supports the management of multiple legal entities in a single Vision database. Each entity can have its own functional currency. (For more information, see the Deltek publication, Tracking Multiple Companies in Deltek Vision™.)
- Flexible multicurrency reporting features, including:
 - The ability to generate reports in any currency.
 - Currency revaluation, to restate foreign currency balances as exchange rates fluctuate.
 - When used with the Vision Multicompany module:
 - Consolidated financial reporting for multiple companies using multiple currencies.
 - The option to generate consolidated financial statements using the accounting standards specific to your country, including Generally Accepted Accounting Principles (GAAP) and International Accounting Standards (IAS).

- The ability to plan a project in any currency, and to include employees from across the enterprise in a plan, regardless of their home currencies.

CURRENCY CONFIGURATION

The Multicurrency module comes pre-configured to manage all ISO-recognized currencies. Each currency has a built-in:

- 3-character ISO code (for example, CAD for Canadian dollars, EUR for euros).
- Currency symbol (for example, £ or ¥).
- Number of decimal places (for example, two for US dollars, zero for Japanese yen).

CURRENCY TYPES

The foundation of the Multicurrency module is the ability to store transactions and other data in multiple currencies, and to use this stored information to fulfill different business needs. The Multicurrency module tracks the following currency types:

FUNCTIONAL CURRENCY

The currency of the primary economic environment in which a company operates. Normally, this is the currency in which cash is generated and expended by the company. For example, a company located in France would normally use the euro as its functional or “home” currency.

TRANSACTION CURRENCY

The currency in which an individual transaction is entered into Vision. For example, if a US-based company purchases materials from Mexico and is billed in Mexican pesos, the vendor invoice is entered in the transaction currency of Mexican pesos.

PROJECT CURRENCY

The currency in which a project is managed, which may be different from the functional currency of the project’s home company. This currency is defined at the top level of the work breakdown structure and is used for all project management purposes, including project reporting and project planning. When labor or expense charges are made to a project, the charges are recorded in the project currency, as well as all other appropriate currencies.

BILLING CURRENCY

The currency used to generate invoices and billing reports for a specific project and all its phases and tasks. Note that project and billing currencies do not need to be the same, so that a firm can plan and manage a project in one currency and invoice the client in another currency.

PAYMENT CURRENCY

The currency in which cash receipts are recorded and vendor invoices are paid, which may be different from the transaction currency of the original receivable or payable.

REPORTING CURRENCY

A currency used to create consolidated financial statements for multiple companies, not all of which use the same functional currency — used only with the Vision Multicompany module.

PRESENTATION CURRENCY

A currency used solely to generate a report. You might pick a presentation currency of euros if, for example, you are generating a Project Summary report that includes projects managed in multiple currencies, but you want all project financial data to appear on the report in euros.

MANAGING AND BILLING PROJECTS IN MULTIPLE CURRENCIES

Every project (the top level of the Vision work breakdown structure) has a project currency and a billing currency, either of which may differ from the functional currency of the project’s home company. The project currency is generally the currency in which the project’s contract is written, and is used for budgeting, resource planning, project reporting and other project management purposes. The billing currency is the currency in which invoices for the project are generated, usually stipulated in the project contract.

Maintaining both project and billing currencies makes it easy, for example, to track the performance of a project being performed in the US for a Japanese client. The project can be managed in US dollars, but the client can be billed in yen.

Although Vision has an established hierarchy for determining exchange rates (discussed later in this paper), the contract for a project may stipulate that a particular exchange rate be used for project management and billing purposes. For this reason, Vision makes it possible to fix exchange rates at the project level.

If you use the Vision Multicompany feature, lower levels of a project's work breakdown structure may belong to different companies. Therefore, the transactions associated with a particular phase or task may be tracked in a different functional currency (the functional currency of its owning company) than those of the parent project. Phases and tasks may also have different billing terms than the parent project. However, each project and its related phases and tasks must be tracked using the same project currency and billed using the same billing currency.

TRANSACTION PROCESSING

When any transaction is posted in Vision, the transaction amount is stored in the company's functional currency and in the currency of the transaction. For example, if a US company receives an invoice in Canadian dollars, Vision stores the original invoice amount in Canadian dollars (the transaction currency) and the translated value of the invoice in US dollars (the company's functional currency). Storing in both currencies makes it possible to match transactions in Vision with original source documents (in this example, the original invoice).

At the time a transaction is posted, its value is also stored in additional currencies, used for billing, reporting and other business needs. When the transaction currency is different from the other currencies, a currency exchange must take place.

The transaction value is generally stored using the exchange rate that was in effect on the date the transaction occurred, unless this rate is deliberately overridden at the time the transaction is entered into Vision.

The Vision reporting process is very efficient because translated values are stored ahead of time to be used later on reports.

EMPLOYEE LABOR AND EXPENSE CHARGES

TRACKING LABOR CHARGES

All employee-related financial data is set up in the functional currency of the employee's home company.

An employee can work on any project, regardless of the employee's home currency or the project currency, and Vision will manage all project costing and billing issues related to using multiple currencies.

Vision uses the employee's home functional currency to calculate the cost of hours charged to a project. Vision then uses that initial calculation as the basis for other currency calculations, including translating the transaction into the project's billing currency. For example, assume an employee from a Canadian company works on a project that's managed and billed in euros. When the employee charges labor to the project, the functional and transaction currency of the labor charge is Canadian dollars. The Canadian dollar amount is translated into euros (the project and billing currencies) for project management and billing purposes.

TRACKING EXPENSE CHARGES

An employee who travels internationally can submit an expense report with line items in different currencies. For example, an employee who travels among multiple South American countries during a single business trip might submit a single expense report for the trip, with certain line items in Chilean pesos and others in Argentine pesos.

For any line of the expense report, the employee can override the exchange rate used to convert the expense amount to the company's functional currency. An employee might override an exchange rate if, for example, she is working in a foreign country and exchanges cash one day at an exchange rate different from the published rate for that day. All of the employee's subsequent purchases with that cash can be recorded using the non-published exchange rate.

PROJECT PLANNING

Some firms plan their projects using cost values, some using billing values, and some using both. Therefore, Vision tracks project plans in both a project currency, representing planned cost values, and a billing currency, representing planned billing values. Once the project is underway, when actual labor and expense amounts are viewed in a plan, they appear in the same currency as the plan (either the project or billing currency), so that you can always directly compare planned and actual amounts.

When you create a project from a plan, the new project inherits the project and billing currencies of the plan.

Note that any employee can be included on a plan, regardless of the employee's home currency.

CLIENT RELATIONSHIP MANAGEMENT

Because CRM data is shared across the enterprise, and therefore may include financial data in multiple currencies, you may want to generate CRM reports using a presentation currency. The presentation currency is a currency used solely to generate a report. For example, you might choose a presentation currency of euros to generate a CRM report in which all financial data, regardless of its original currency, appears in euros.

Furthermore, you can select a cross-section of projects to report on, based on the project or billing currency of the projects. For example, you can generate a CRM report for only those projects that have a project currency of Chinese yuan.

REPORTING

The Vision Multicurrency feature lets you generate reports targeted at the special business needs of a multicurrency enterprise. For example:

- An Income Statement for a London company, with all amounts shown in British pounds, the company's functional currency.
- An Aged Accounts Receivable report that includes all invoices that have a transaction currency of Indian rupees, to view currency exposure.
- An Aged Accounts Receivable report for the Asian region, which includes all invoices that are payable in various currencies, such as Japanese yen, Chinese yuan, or Hong Kong dollars.
- An Aged Accounts Receivable report with a presentation currency of Canadian dollars, used to report on invoices for a client for whom you do work in Canada, the US and Mexico.
- A Project Summary report for all active hospital projects, managed in any currency.

The currency options available depend on the type of report. For example, the default currency for general ledger reports is the functional currency, but you can also choose to generate general ledger reports using a specific presentation currency.

Certain reports let you show multiple currencies on a single report. All are reports that contain line item detail:

- Employee Expense Reports that contain line items in different currencies
- Billing Backup reports that contain line items in different currencies
- Transaction and posting lists for data entry files that contain transactions in different currencies

CONSOLIDATED REPORTING WITH MULTIPLE CURRENCIES

The Vision Multicompany module lets you track multiple companies in a single database. A primary goal of using the Multicompany and Multicurrency modules together is to generate consolidated financial statements in a specific reporting currency for multiple companies that may have different functional currencies.

Most important is the ability to generate a single set of financial statements consolidating results for all of the companies in the enterprise. However, you may also want to consolidate financial statements for a subset of companies. For example, a US-based enterprise may want consolidated financial statements in US dollars for its three African companies, one in Angola, one in Namibia, and one in Zimbabwe, each using a different functional currency.

To generate consolidated financial statements, you need to provide Vision with information about how currency exchanges should be performed on reports. In general, you must comply with the consolidated reporting standards prescribed by GAAP, IAS or the standard accounting principles of your country. In the US, you must comply with FASB Statement 52. Vision provides numerous options for controlling how currency exchanges are made and how account balances are reported on consolidated reports.

CURRENCY EXCHANGE

EXCHANGE RATES

As described earlier in this paper, each time a transaction is posted, its value is stored in the transaction currency and in additional currencies used for billing, reporting, and other business needs. When the transaction currency is different from the other currencies, a currency exchange must take place.

Usually, a transaction is recorded at the exchange rate that was in effect on the date the transaction took place.

Depending on circumstances, Vision employs different methods for performing currency conversion, basing the exchange on any of the following:

- The exchange rate table set up by the company
- Inverse exchange
- Triangulation
- An exchange rate or exchange date override specified by the user

EXCHANGE RATE SETUP

As part of implementing the Multicurrency module, a company sets up an exchange rate table for the currencies it uses. Each line of the table lists:

- The “from” currency and “to” currency.
- The date to which the exchange rate applies.
- The exchange rate, to six decimal places.

Most companies update their exchange rate table at least once a month, but it can be updated as frequently as daily.

To keep apprised of current exchange rates, you can subscribe to any of a number of online foreign exchange services, which provide up-to-the-minute exchange rates. You can use these rates to manually update the exchange rate table or you can download rates directly from the foreign exchange service to the Vision exchange rate table.

INVERSE EXCHANGE

In a scenario where a direct exchange rate between two currencies is not entered in the exchange rate table (for example, British pounds to Canadian dollars), but its inverse is entered (Canadian dollars to British pounds), Vision will convert the currency based on the inverse exchange rate. If the exchange rate for Canadian dollars to British pounds is .415953, meaning that each Canadian dollar is worth .415953 pounds, then the inverse rate would be 2.404118, meaning that one pound is worth 2.404118 Canadian dollars.

TRIANGULATION

Vision also supports the use of triangulation, a method of currency exchange in which one currency amount is converted to another through an intermediate currency.

Triangulation is usually used when no published exchange rate exists between two currencies. For example, if a firm needs to translate Belarus rubles to Suriname guilders, it might translate rubles to US dollars, then US dollars to guilders.

Vision uses triangulation when it has no way to perform a direct or inverse exchange, because neither the direct exchange rate nor its inverse is entered in the exchange table. As part of Multicurrency setup, a company must specify whether triangulation can be used and, if so, what intermediate currency should be employed.

EXCHANGE OVERRIDES

When you post a transaction, Vision by default uses the exchange rate in effect on the transaction date that you enter. However, you have the option to override this rate during data entry, to account for circumstances in which the published exchange rate does not apply to a particular transaction. You can perform an override by specifying a different exchange date, in which case the rate in effect for the specified date is used, or you can specify a different exchange rate altogether.

FOREIGN CURRENCY DENOMINATED ACCOUNTS

PURPOSE OF FOREIGN CURRENCY DENOMINATED ACCOUNTS

In some situations, a company must manage all transactions associated with a particular account in a single currency. For example, if a US company has a Tokyo bank account, all transactions involving that bank must be recorded in yen. In such situations, the company can identify the account as a foreign denominated account — with a single specified currency. Vision ensures that all transactions posted to the account are in the specified currency.

TRACKING GAINS AND LOSSES

Having foreign currency denominated accounts creates the need to track gains and losses based on fluctuating exchange rates. If a European company has a US dollar denominated bank account, and the value of the euro rises against the US dollar, the value in euros of the bank account balance drops. This results in a loss to the European company.

The same scenario is true of outstanding payables and receivables held in foreign currencies — their value may rise or fall based on fluctuating exchange rates.

Vision automates the process of calculating and posting gains and losses, both unrealized and realized, and maintains an audit trail of currency revaluations.

When the gain or loss remains on paper, it is considered an unrealized gain or loss. When cash changes hands, it is considered a realized gain or loss.



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