



Guide to multi-currency accounting

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Introduction

From Summer 2016, Brightpearl will be able to support accounting in multiple currencies. This document explains how it will work, and gives detail of the transition from single currency accounting to multi currency accounting.

We will be **activating** multi currency accounting on a per account basis, giving you plenty of warning ahead of the **activation date** for your business. Prior to the activation date, your account will be operating in “base-only” accounting mode, even if you have foreign currency sales and purchase orders.

After the activation date, your accounting will behave in a different way, so you need to be prepared ahead of time and understand those changes.

Summary of changes

Journals

Prior to multi currency activation, your account will be operating in “partial” multi currency (like it always has done) ... where orders can be foreign currency, but accounting and journals are always base currency. The biggest change with multi currency accounting is that (you guessed it) the accounting part of the system now also supports foreign currencies.

Bank accounts

Before MC	Always base currency.
After MC	Choose the bank account currency.

Customer + Supplier balances

Before MC	Always base currency.
After MC	Balances can be in any (and multiple) currencies.

Order payments

Before MC	Order payments are always base currency.
After MC	Order payments will be in the same currency as the order.

Basic principles

Every accounting journal has base debits and credits, as well as “transaction” debits and credits. The transaction amounts are in the currency of the journal. A base currency journal will have transaction values the same as the base values.

Here’s a foreign currency Bank Payment as an example:

Account code	Currency	Exchange rate	Transaction debit	Transaction credit	Base debit	Base credit
1230 Bank	EUR	1.45		145.00		100.00
5000 Purchases	EUR	1.45	145.00		100.00	

Bank accounts are special account codes, and **MUST** be given a currency. If an account has transactions, then the currency cannot be changed. Set the currency for your bank accounts via the Chart of Accounts edit.

Accounts Receivable (Debtors) and Accounts Payable (Creditors) can hold balances in any currency. We’ll refer to foreign balances on these accounts as “foreign debt” for both Customers and Suppliers/Vendors.

Foreign debt can be paid using either a bank account in that currency, **OR** a base currency bank account. This means that you can use multi currency accounting without having a bank account in a foreign currency.

All transactions that relate to the same invoice must be in the same currency. So an SR paying an SI must be the same currency, and a PP paying a PC must be in the same currency.

Because any journal has transaction amounts **AND** base amounts an account code can have a foreign currency balance **and** a base currency balance. The balance you see on screen depends on the account, and the context.

- Management accounting reports (Balance Sheet, Trial Balance, Income Statement, Profit & Loss) show the base currency balance
- Bank accounts show the balance in their currency

Exchange rates

When multi currency is activated, you will be able to create **multiple exchange rates** for your foreign currencies. Exchange rates are always the relationship of the foreign currency to your base currency; we do not support exchange rates between foreign currencies.

At any given point in time, the “current” rate will be the most recent exchange rate before that date. You can add exchange rates in the future, but not the past.

Accounting: General ledger & journals

As shown the basic principles, all journals now have transaction amounts as well as base currency amounts. When entering transactions in Brightpearl, you specify the journal currency and the transaction amounts. The base currency amount is determined for you.

When multi currency accounting is activated, your General Ledger will show the currency (transaction) debits and credits as well as the base debits and credits:

Type	Account ▼▲	Contact	Details ▼▲	Order ID ▼▲	Invoice ref ▼▲	Currency	Debit ▼▲	Credit ▼▲	Base Debit ▼▲	Base Credit ▼▲	Rate ▼▲
BP	1250 Euro bank account					EUR	0.00	200.00	0.00	1.90	105.00
	2299 Order Rounding Corrections					EUR	0.00	0.00	0.00	0.01	105.00
	5001 Items A					EUR	166.67	0.00	1.59	0.00	105.00
	2201 Purchase Tax Control Account					EUR	33.33	0.00	0.32	0.00	105.00

Currency rounding corrections

Since base debits and credits are the rounded equivalents of the foreign amounts, and they also need to balance, some journals will have a currency correction row added automatically. Note that this does not affect your transaction balances; it’s only the base currency.

Account code	Currency	Exchange rate	Transaction debit	Transaction credit	Base debit	Base credit
Bank	EUR	105.0000		200		1.90
Purchases	EUR	105.0000	166.67		1.59	
Purchase tax	EUR	105.0000	33.33		0.32	
Rounding	EUR	105.0000				0.01

You choose the account code for these rounding corrections at Settings > Accounting nominal codes

Accounting: Other reports

Accounting reports will show the currency of the transaction on the relevant row, once multi currency is activated. Something to note is that a column can only be summed if the rows are all the same currency. Keep an eye out for the currency codes, as your accounts will now have multiple currencies!

Accounting: Bank accounts / Credit cards

Bank accounts and Credit cards (for US accounts) act in the same way as each other when it comes to currencies. **Every** bank account must have a currency. Once multi currency has been activated, and you have set up more than one currency, you can choose the currency for new bank accounts when you create them. If a bank accounts has transactions, you cannot change the currency.

Here are two important rules to remember:

1. Base currency bank accounts can have transactions in any currency.
2. Foreign currency bank accounts can only have transactions in their currency.

Accounting: Bank reconciliation

Reconciliation is done in the bank account's currency.

Accounting: Bank matching


Matching of imported bank transactions is done in the bank account's currency.

Accounting: Bank revaluation

The "current base value" of a bank account is the foreign balance / today's exchange rate, ie what that foreign bank account should be worth on your Balance Sheet today. We don't manage this "live" in Brightpearl. Over time, the base currency value of a foreign bank account shown in Brightpearl will diverge from its current base value, because exchange rates as money moves in and out of that bank account will vary. At any point you can "revalue" your foreign currency bank accounts to make a correction that only appears on the base currency side of a multi currency journal.

Click the "revalue base currency" link on the bank accounts list.

Revalue base balance for **USD** account

Revaluation date	13/07/2016 
USD balance	-977.00
GBP balance	-601.61
Required GBP balance	<input type="text" value="-600.00"/>
Difference to post as exchange rate variance	1.61

[Cancel](#) [Post exchange rate variance journal](#)

This will create an Exchange Rate Variance journal of type BT. Read more about exchange rate variance journals elsewhere in this guide.

Accounting: Bank transactions (BP, BR, BT)

Once you have created foreign currency bank accounts, you can start to use them for Bank Payments, Bank Receipts and Bank Transfers. See the two important rules for bank account transaction currencies in the Bank Accounts section above.

Each time you enter a foreign currency bank transaction, you need to specify the exchange rate.

Accounting : Debtors & creditors (accounts receivable & accounts payable)

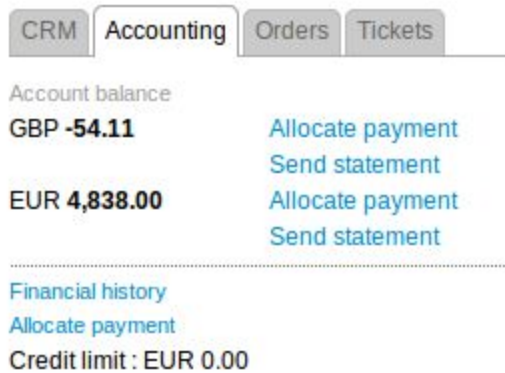
Seeing your outstanding customer/supplier debt in different currencies

When you invoice a foreign sales order, a **foreign currency** SI journal will be created, which will put a foreign currency balance onto your 1100 Accounts Receivable / Debtors account code (which we'll call the "AR" code from here on). Because all journals also have base columns, you will also have a base currency AR balance, which is the base currency equivalent of your foreign debt at the time the order was invoiced.

When you first load it, the Accounts Receivable / Debtors screen will show the base currency equivalent of ALL your customer debt, since this needs to match the base value of the AR code on your Trial Balance. If you want to see base currency invoices only, or foreign currency invoices, use the filters.

A customer or supplier can have balances in any currency; create foreign currency balances either from a foreign currency order (which inherits the contact currency), or from the "quick invoice" / "enter bill"

process where you can choose the currency on screen. Multiple balances will show on the contact accounting tab like this:



Credit limits

A contact's credit limit is in the contact's currency ... in the screenshot above, this is a Euro customer. When the credit limit is checked (creating orders in Brightpearl admin), only the balance in this currency is compared against the credit limit.

Paying customer / supplier (vendor) account balances

The "payment allocation screen" will only show outstanding balances in **one** currency. So if a customer has outstanding debt in more than one currency, you'll need to allocate payment separately for each currency.

When paying foreign currency invoices, you can choose either a base currency bank account, or a bank account in the same currency as the invoices.

Clearing invoices / exchange rate variance

An invoice is deemed "paid" or "cleared" when the **foreign currency** payments match the **foreign currency** amount. Because the payment (SR or PP) may not be at the same time as the invoice (SI, SC, PI or PC), it may not have the same exchange rate.... So it will have different base currency values. If the system sees that the foreign currency balances are now cleared, but there is a base currency balance left on the AR or AP account code, an Exchange Rate Variance journal is created. This just has a debit or credit on the base currency side of a journal.

Here you can see the second SR journal of 100 Euros clears the invoice, but there's a GBP balance left of 1.95. A further Exchange Rate Variance journal is automatically created, with a tax date on the day that the clearing SR was entered (which may **not** be the same as the SR tax date).

Type	Account ▼▲	Contact	Details ▼▲	Order ID ▼▲	Invoice ref ▼▲	Currency	Debit ▼▲	Credit ▼▲	Base Debit ▼▲	Base Credit ▼▲	Rate ▼▲
SR	7700 Exchange rate gains/losses	Euro Man	Exchange rate variance for SI-100028	100050	SI-100028	EUR	0.00	0.00	0.00	1.95	0.00
	1100 Debtors Control Account				SI-100028	EUR	0.00	0.00	1.95	0.00	0.00
SR	1100 Debtors Control Account	Euro Man		100050	SI-100028	EUR	0.00	100.00	0.00	70.92	1.41
	1250 Euro bank account				SI-100028	EUR	100.00	0.00	70.92	0.00	1.41
SR	1100 Debtors Control Account	Euro Man		100050	SI-100028	EUR	0.00	98.85	0.00	68.17	1.45
	1210 Bank Deposit Account				SI-100028	EUR	98.85	0.00	68.17	0.00	1.45
SI	1100 Debtors Control Account	Euro Man		100050	SI-100028	EUR	198.85	0.00	137.14	0.00	1.45
	4000 Sales (Parts)				SI-100028	EUR	0.00	170.83	0.00	117.81	1.45
	2200 Sales Tax Control Account				SI-100028	EUR	1.02	0.00	0.70	0.00	1.45
	4000 Sales (Parts)				SI-100028	EUR	5.13	0.00	3.54	0.00	1.45
	2200 Sales Tax Control Account				SI-100028	EUR	0.00	34.17	0.00	23.57	1.45
							EUR 403.85	EUR 403.85	GBP 282.42	GBP 282.42	

Balance (EUR): -0.00

Base currency balance: -0.00

If an order which is fully prepaid is then invoiced, the SR will exist before the SI. If the SI is created using a different exchange rate from the prepayment SRs, then an Exchange Rate Variance journal will be created in the same way as if the SI had come first. The same applies for purchases (PI, PC or PP journals).

The account code used for Exchange Rate Variance (7700 in the example above) can be chosen at Settings > Accounting nominal codes.

Cancelling journals

If you cancel any of the SI, SC or SR journals for an invoice, the Exchange Rate Variance journal for that invoice will also be cancelled. The same applies for purchases (PI, PC or PP journals).

Accounting: Customer statements

Customer statements need to be produced in a chosen currency (so if a customer has outstanding debt in multiple currencies, you'll need to run the statement once for each of those currencies).

Accounting: Invoicing

Sales Invoices, Sales Credits, Purchase Invoices and Purchase Credits all come under the term "invoicing". Invoices can be created in any of your foreign currencies. When you "invoice" a sale, or "credit" a sales credit, the resulting journal will be in the same currency as the order.

Similarly, when you receive a purchase invoice against a purchase order or purchase credit, the resulting PI / PC journal is in the same currency as the order / credit.

The exchange rate used for the journal depends on a number of rules:

1. For purchases, the exchange rate is **always** that from the order. Make sure this is as you expect before you receive the invoice against the purchase.
2. For sales, the exchange rate depends on whether the order is set as “fixed rate”. If the order is fixed rate, then that rate will be used for the accounting.
3. If the order is not fixed rate, then the exchange rate will be updated when the order is invoiced, based on the invoice tax date. If you only have one exchange rate for that currency, then that exchange rate will be used. If you have multiple exchange rates, then the rate active for the order tax date will be used.
4. If the order tax date is set to be updated to “today” upon invoicing, then the new tax date (today) will be used to retrieve the exchange rate.

Note that if a sales order is NOT fixed rate, and is paid in full with a foreign prepayment, and you have multiple exchange rates, then it’s likely that when you invoice the order you will get an Exchange Rate Variance journal.

In order to reflect the real world scenario where **paid** orders are downloaded from sales channels at one point in time, and invoiced later, we have the “fixed rate” setting. Orders downloaded from channels are always set to “fixed rate”. This ensures that the invoice journal has the same exchange rate as any prepayment journals.

If you were to create further payments for orders that are fixed rate, then the resulting SR journals will also have the same exchange rate as the order and invoice. If you unset the fixed rate setting for an order, you can apply any exchange rate you choose for the payments.

Accounting: Paying order invoices

If an order is invoiced and is not already prepaid, then there will be a balance on the customer or supplier (vendor) account. This balance will show on the “payment allocation screen”, reached from the “allocate payment” link. The payment allocation screen also shows balances from invoices which are **not** from orders, and other balance “on account”.

A single bank transaction can be used to clear a number of these open balances. Some of the open balances may relate to orders, in which case an order payment will be created automatically for each order so that the order is also shown as paid... customer payment for sales, or supplier payment for purchases.

If you’re looking at a **base** currency payment allocation screen, some of those orders could be **foreign** currency (from before multi currency accounting). In this case, the order payment created for the foreign

order will be in base currency. Order payments created from the payment allocation screen will always be in the same currency as the SR or PP journal.

Orders: Creating foreign currency orders

To create a foreign currency order, set the relevant currency to a contact, and then create an order for that contact. Or connect a foreign currency sales channel.

Orders downloaded from foreign currency sales channels will be set as “fixed rate”, but orders created manually in the back office will not be fixed rate. When creating orders over API, you can choose whether the order is fixed rate. See the Invoicing section of this guide to learn more about the fixed exchange rate setting.

Orders created in back office AND orders downloaded from sales channels will use the current exchange rate from Brightpearl.

Orders: Paying orders

Before multi currency is activated, order payments must be in base currency. Once multi currency is activated, the order payment must be in the same currency as the order. This is because order payments subsequently create journals, and the journal currency needs to be the same as the order payment.

If an order is set to fixed exchange rate, then you can't choose the exchange rate for foreign order payments.

Reporting: Sales

The sales and purchase reports show the order currency total by default. You can choose to configure the columns, so that you have visibility over all values in order currency and base currency:

Order ID ▼▲	Invoice ▼▲	Net	Tax	Total ▼▲	Paid	Exchange rate	GBP net	GBP tax	GBP total	
100130	SI-100059	USD 10.00	USD 2.00	USD 12.00	USD 12.00	Paid	2.890000	GBP 3.46	GBP 0.69	GBP 4.15
100129	SI-100058	USD 20.00	USD 4.00	USD 24.00	GBP 6.23	Partially Paid	2.890000	GBP 6.92	GBP 1.38	GBP 8.30
100110	SI-100048	USD 100.00	USD 20.00	USD 120.00	GBP 50.00	Paid	2.890000	GBP 34.60	GBP 6.92	GBP 41.52
							GBP 44.98	GBP 8.99	GBP 53.97	

Note how the first (bottom) two USD orders are paid with a GBP amount. This is a GBP merchant, for whom USD is the foreign currency. Multi currency was activated, and then the third (top) order was paid.... Using a foreign currency order payment. During the transition from “partial multi currency” (orders only) to “full multi currency” (including accounting) you'll need to watch out for this.

Reporting: Inventory & landed costs

Inventory values are always in **base** currency.

When you assign landed costs to purchase order lines, you can specify these landed costs in any currency. If it's a foreign currency, you need to give the exchange rate, so that the resulting inventory value change is in base currency.

Unrealised gains and losses

When a foreign invoice is created (eg SI journal), the base currency values in the ledgers are captured using the exchange rate of the invoice. As exchange rates change with time, the actual asset value of that foreign debt changes ... if your customer pays today they are likely to be using a different exchange rate [assuming that the order is not fixed rate]

The variation of exchange rate between invoices being created and paid on different dates causes a gain or a loss. You can see your foreign currency exposure using the Unrealised gains and losses report. This shows all unpaid invoices, the original base currency value of those invoices, and the amount due to pay using today's exchange rate ... showing the gain or loss if the customer was going to pay today.

Tax date ▼▲	Type	Contact	Order ID ▼▲	Invoice ref ▼▲	Currency	Balance	Original rate	Balance (GBP)	Current rate	Revalued (GBP)	Gain (GBP)
19 Jul 2016	SI	USD Customer.	100176	SI-100085	USD	180.00	2.168100	83.02	2.890000	62.28	-20.74
19 Jul 2016	SI	USD Customer.	100175	SI-100084	USD	180.00	2.890000	62.28	2.890000	62.28	0.00
07 Jul 2016	PC	USD supplier	100163	163	USD	24,385.53	2.500000	9,754.21	2.890000	8,437.90	-1,316.31
06 Jul 2016	PI	USD supplier	100152	MC-off	USD	-6,236.61	1.275000	-4,891.46	2.890000	-2,158.00	2,733.46

What's not changed?

You'll create orders in exactly the same way as you do today. You assign a currency to a customer, and then subsequent orders for that customer use that currency. You can change the currency for the customer, and further orders will be in the new currency.

Fulfilment and shipping will be same as it is today. Cost of Sale transactions created when a goods note is shipped will continue to be in base currency.

All inventory is accounted for in base currency, even if bought on foreign currency PO's it is converted and recognised as a base currency asset

All accounting transactions will have a base currency component, even if it's for a foreign currency invoice. We'll record both base currency AND foreign currency in the General Ledger, with the exchange rate at the

time the transaction was entered. Management reports (Balance Sheet, Trial Balance, Income Statement, Profit and Loss) will use the base currency values.

What you'll see change when multi currency is activated

If you have more than one currency in your account, you'll see Brightpearl in multi currency mode, even if you don't have any foreign currency accounting entries yet.

Taking payments for foreign currency orders will be different. Where previously you entered the base currency amount, either paying for a Purchase or receiving funds for a Sale, you'll now have the option to enter either the base currency amount or the foreign currency amount. If you don't have foreign currency bank accounts, you can still deal with foreign currency orders - you'll enter the base currency amount like you always have done.

This means that the amount paid for an order will now be in the order currency:

Subtotal	25.00
VAT @ 20%	5.00
Total USD	<u>30.00</u>
Paid USD	15.00
Base value GBP	24.30

Other accounting screens, like the General Ledger and Customer/Supplier Invoice Lists will now show a mix of currencies. The base currency amounts are also shown on the general ledger:

General ledger » USD Bank Account Export Show filter

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ID	Tax date	Taxcode	Type	Contact	Details	Order ID	Invoice ref	Currency	Debit	Credit	Base Debit	Base Credit	Rate
33	24 Nov 2015	T9	PP	Supplier Company Ltd.			PC-02	USD	34.72	0.00	17.62	0.00	1.97
30	24 Nov 2015	T9	PP	Supplier Company Ltd.			PC-01	USD	23.45	0.00	11.90	0.00	1.97
28	24 Nov 2015	T9	PP	Supplier Company Ltd.			PI-02	USD	0.00	561.93	0.00	285.24	1.97
25	24 Nov 2015	T9	PP	Supplier Company Ltd.			PI-01	USD	0.00	234.65	0.00	119.11	1.97
									USD 58.17	USD 796.58	GBP 29.52	GBP 404.35	
													Balance (USD): -738.41
													Base currency balance: -374.83


Customers and suppliers can have balances in multiple currencies. There is only one credit limit for a customer or supplier, and it's in the contact's currency:

Financials	
Account balance	
GBP -15.33	Allocate payment
USD 215.33	Allocate payment
.....	
Financial history	
Allocate payment	
View/send statement	
Credit limit : GBP 1,000.00	

The payment allocation process can only be performed for one currency at a time. So if a given customer or supplier has multiple invoices in different currencies, you can't clear them all on the same screen. You'd need to run the process once for each currency.

You'll be able to assign a currency to a bank account. All your existing bank accounts will be in base currency. When multi-currency launches, you can add further bank accounts and choose the currency at the time. When paying a foreign currency invoice / order, you'll only be able to use bank accounts in base currency, or bank accounts in the currency of the invoice / order.

Banking transactions can be made in foreign currency. The Bank Payment, Bank Receipt and Bank Transfer screens will operate in the correct currency for the bank account chosen.

From bank account	To bank account	Date	Exchange rate
1200 Bank Current Account ▼	1210 USD Bank Account (USD) ▼	25/11/2015 	2.000000
Amount	Received amount		
100.00 GBP	200 USD		
Details			
			Enter bank transfer

You can also choose to show the Accounts Receivable (Debtors) and Accounts Payable (Creditors) screens in any currency. You can also show the base currency equivalent of all open invoices, regardless of the currency of those invoices, so the total debt will match the numbers on your (base currency) Balance Sheet and Trial Balance.

When you generate statements, you must choose the currency. Both invoices and payments will be shown in that currency, so the numbers should match exactly what your customers are expecting. We've also made a host of other improvements to the statement print/email process.

A currency will have multiple exchange rates. Each time you change the exchange rate for a currency, you'll actually be adding a new rate, valid from a certain date. This allows you to go back and see what the exchange rate was at any time in the past. You'll be able to enter the exchange rate manually for all foreign currency transactions too.

API changes

In order to make Brightpearl accounting multi currency, we have made significant changes to our accounting API. We've ensured that all API messages are backwards compatible when your account is only in base currency, but if you are processing foreign currency orders or payments over API, you will need to make some changes.

Order payments

While multi currency is OFF, payments for foreign orders (customer-payment POST) will need to be in **base currency**. If you're using the deprecated Sales Receipt POST, we'll already be creating base currency customer payments for you. As soon as multi currency is activated on your account, orders can only be paid

using payments in the **same currency as the order**. The best way to handle this is by first making a customer-payment POST in the order currency, and if it's rejected because multi currency is not yet active, retry the order payment in base currency (don't forget to divide the amount by the exchange rate from the order GET).

Other API changes

- We have deprecated most existing accounting endpoints (they will remain backwards compatible in base currency only). Such as sales-receipt POST ... has been replaced by invoice/sales-receipt POST
- We have created new endpoints for all other accounting functionality, which support multi currency but foreign currency transactions will be rejected until multi currency is activated for your account.