

# Working with Currencies

SAP Business One  
Version 9.0



- Welcome to the course on Currencies.

## Objectives

---



After completing this topic, you will be able to:

- Define currencies in the implementation process.
- Explain the consequences of the currency definition choices in your company on the financial accounting process.
- Give examples of some currency issues in SAP Business One.

Note!

Decisions about these definitions should always be made together with the client accountant.

- In this topic, we will discuss how to define currencies in the implementation process. We will explain the consequences of currency definition choices in your company on the financial accounting process.
- We will give examples of some currency issues in SAP Business One.
- Decisions about these definitions should always be made together with the client accountant.

## Business Example

---



You discuss the currencies definition with Maria the accountant:

- Maria says that most of their customers are local customers
- However a few customers and vendors are located in another country.

- Imagine that you are implementing SAP Business One at a British customer, OEC Computers. You discuss the currencies definition with Maria, the company accountant:
- Maria says that most of their customers are local customers, therefore located in the United Kingdom.
- However a few customers and vendors they work with are located in another country, specifically the US.
- You tell Maria about the working methods with currencies in SAP Business One.

# Agenda

---

- Currencies in the company level
  - Local and System Currencies
  - Account Currencies
  - Currencies in the Pricelist
- Posting Exchange Rates Differences
  - Exchange Rate Differences
  - Conversion Differences

- We will review the currency definitions in the company. Starting at the company level, then the account currency and finally the currencies setup in the pricelist.

## Reflection Question



OEC Computers is located in the UK, some of their customers are located in US.

- How can they price their foreign customers?
- What will be the currency of the A/R Invoice total amount?
- What will be the currency in the automatic journal entry created by the A/R Invoice?

- OEC Computers is located in the UK, some of their customers are located in US.
- How can they price their foreign customers?
- What will be the currency of the A/R Invoice total amount?
- What will be the currency in the automatic journal entry created by the A/R Invoice?

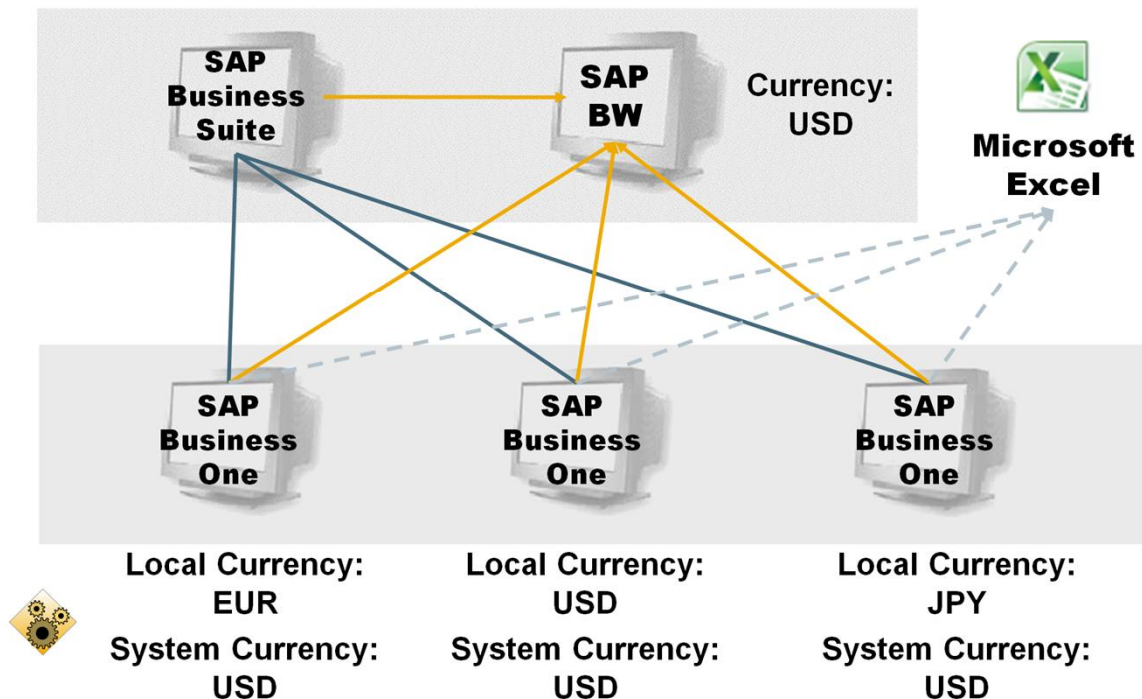
## Answer



- In the additional currency column in the sales pricelist they will enter prices in US Dollars.
- The A/R Invoice currency will be US Dollars.
- In automatic journal entries, the system converts the invoice total amount in foreign currency into local currency and posts both values in parallel.

- Starting with the 9.0 release, it is possible to set an item's price in each price list in up to three different currencies – the primary currency and two additional currencies.
- This is useful where there is a need to define exact pricing for different countries instead of using currency exchange rates.
- In the sales pricelist at OEC Computers, the primary currency remains the default therefore the British Pound is used in documents for local customers.
- In the additional currency column in the sales pricelist they will enter prices in US Dollars.
- For the US customers, the document currency will be US Dollars and the price of the items will be presented in the additional currency, that is in US Dollars.
- In automatic journal entries, the system converts the invoice total amount in foreign currency into local currency and posts both values in parallel.

## Company Level – Local and System Currencies



© 2013 SAP AG. All rights reserved.

7

- SAP Business One can handle accounting in two parallel currencies: the local currency and the system currency.
- You define this on the *Basic Initialization* tab of the *Company Details* window in the *System Initialization* menu under the *Administration* module.
- The **Local Currency** is the currency in which the company is legally required to keep its books. In our example, **British Pound**.
- The **System Currency** may be a different currency than the local currency and is especially useful for subsidiaries of global companies whose head office uses a different currency than the subsidiaries (for example, Euros (€) in the subsidiary and US Dollars (\$) in the head office).
- In this case, the system automatically calculates all postings in the local currency and manages an additional account balance in the system currency in real time.
- This makes it easier to have aggregated reporting on all the subsidiaries and allows for better integration with the system of the head office. For example, you could export the financial data in system currency from the SAP Business One systems of the subsidiaries to the SAP Business Suite or the SAP Business Information Warehouse of the head office.
- Alternatively, financial consolidation can be done with Microsoft Excel or any other product based on the financial data in system currency.

## Company Level – Local and System Currencies



Local Currency:  
GBP  
System Currency:  
GBP

- In our example, OEC Computers is a local company and does not have a reporting requirement in another currency. Therefore you set the **system currency** to the **local currency** - the **British Pound**.
- It is important to remember that you **cannot change** the **Local** or the **System Currency** once you have started to work with the database.
- In addition to the system currency, you have an option to present financial reports in any foreign currency. Use the Revaluation option to choose the revaluation method and currency. The system calculates all the balances in the selected currency, while running the report.



## Account Currencies

	Currencies for Entering Journal Entries	Currencies of the Account Balance
<b>Account Currency</b> = <b>Local Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>
<b>Account Currency</b> = <b>Specific Foreign Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Specified Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> <li>Specified Foreign Currency</li> </ul>
<b>Account Currency</b> = <b>All Currencies</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Any Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>

- Each **Business Partner Master Data** record and **each G/L Account** needs to have an account currency definition:
  - The system sets the **Local Currency** as the **default currency** for all **Business Partner Master Data** records.
  - You can define a default currency for new G/L accounts using the *Default Account Currency* field on the *Basic Initialization* tab under the *Company Details* window in the *System Initialization*.
- In our example, the currency for most vendors and customers of OEC Computers will be defined as **British Pound (Local Currency)**. The vendors and customers from the US will be defined in **USD (Specific Foreign Currency)**. The company Bank Account will be defined as **All Currencies** since it needs to register journal entries and documents in **more than one specific Foreign Currency** (for example, bank transfers).
- The table in the slide details the options for entering **Journal Entries** and viewing the **Account Balance** for each option of the **Account Currency – Local, Foreign and All Currencies**.

## Account Currencies

	Currencies for <b>Entering Journal Entries</b>	Currencies of the <b>Account Balance</b>
<b>Account Currency = Local Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>
<b>Account Currency = Specific Foreign Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Specified Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> <li>Specified Foreign Currency</li> </ul>
<b>Account Currency = All Currencies</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Any Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>

- In the first row, we see that if the currency of the account is “local currency” then journal entries are entered in the local currency, but the account balance is shown in both the local currency and the system currency, assuming the system currency is different from the local currency.
- Remember, that in the Internal Reconciliation course we said that an internal reconciliation is performed in **one** currency.
- This account is reconciled in local currency.

## Account Currencies

	Currencies for <b>Entering Journal Entries</b>	Currencies of the <b>Account Balance</b>
<b>Account Currency = Local Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>
<b>Account Currency = Specific Foreign Currency</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Specified Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> <li>Specified Foreign Currency</li> </ul>
<b>Account Currency = All Currencies</b>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Any Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>

- In the second row, the account currency has been set to a specific foreign currency. In that case, you can enter journal entries in the local currency as well as the specified foreign currency. You can display the account balance in the specified foreign currency as well as in the local and system currencies.
- This account is reconciled in foreign currency.

## Account Currencies

	Currencies for Entering Journal Entries	Currencies of the Account Balance
Account Currency = Local Currency	<ul style="list-style-type: none"> <li>Local Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>
Account Currency = Specific Foreign Currency	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Specified Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> <li>Specified Foreign Currency</li> </ul>
Account Currency = All Currencies	<ul style="list-style-type: none"> <li>Local Currency</li> <li>Any Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>Local Currency</li> <li>System Currency</li> </ul>

- In the last row, the account has been set to “all currencies”. In that case, you can enter journal entries in any foreign currency that has been set up for the company, as well as in the local currency. The account balance will display in the local currency and the system currency.
- This account is reconciled in local currency.
- You can, at any point, change an account currency to **All-Currencies**, but once you update the account, you **will not be able to change it back** to either a local or specific foreign currency.

## Currencies in the Pricelist

The screenshot displays two SAP windows. The 'A/R Invoice' window on the left shows customer details for 'SG Electronics' and 'Eric Alexander'. The 'BP Currency' is set to 'USD' with a value of '0.0000'. The 'Contents' tab shows an item '299000' described as 'Electronic exercise-book' with a unit price of 'USD 500.00'. The 'Sales Price' window on the right shows a list of items with their prices in 'Primary Currency' (GBP) and 'Additional Currency 1' (USD). The 'Total' row in the 'A/R Invoice' window shows 'USD 500.00'.


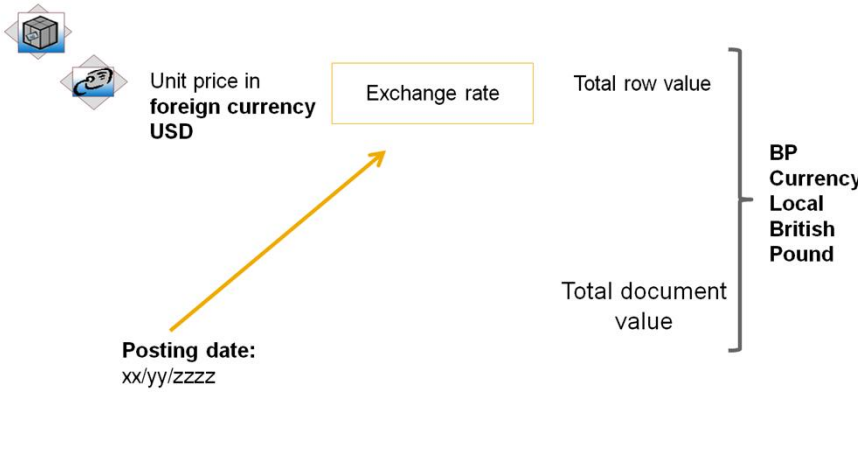
#	Item No.	Item Description	Quantity	Unit Price	Disc...	Tax Code	Total (USD)
1	299000	Electronic exercise-book	1	USD 500.00	0.00	O2	USD 500.00

#	Item No.	Item Description	Base Price	Unit Price	Base Price	Unit Price	In...
1	280001	Paper Clips					Manua
2	280021	Bluetooth player					Manua
3	280050	Wireless Mouse					Manua
4	287000	Tablet Computer	GBP 300.00	GBP 300.00	USD 400.00	USD 400.00	Manua
5	299000	Electronic exercise-book	GBP 400.00	GBP 400.00	USD 500.00	USD 500.00	Manua
6	A00001	IBM Infoprint 1312	GBP 200.00	GBP 200.00	USD 300.00	USD 300.00	Manua
7	A00002	IBM Infoprint 1222	GBP 100.00	GBP 100.00	USD 120.00	USD 120.00	Manua
8	A00003	IBM Infoprint 1226	GBP 150.00	GBP 150.00	USD 180.00	USD 180.00	Manua
9	A00004	HP Color Laser Jet 5	GBP 250.00	GBP 250.00	USD 280.00	USD 280.00	Manua
10	A00005	HP Color Laser Jet 4	GBP 200.00	GBP 200.00	USD 220.00	USD 220.00	Manua
11	A00006	HP 600 Series Inc	GBP 200.00	GBP 200.00	USD 220.00	USD 220.00	Manua
12	B10000	Printer Label	GBP 0.50	GBP 0.50	USD 0.90	USD 0.90	Manua
13	C00001	Motherboard P4 Turbo	GBP 200.00	GBP 200.00			Manua

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit (FC)	Credit (FC)	Debit	Credit
1	C60000	SG Electronics	USD 500.00		GBP 625.00	
2	207000	VAT Payable (output)		USD 0.00		GBP 0.00
3	410000	Sales Revenue (Foreign)		USD 500.00		GBP 625.00

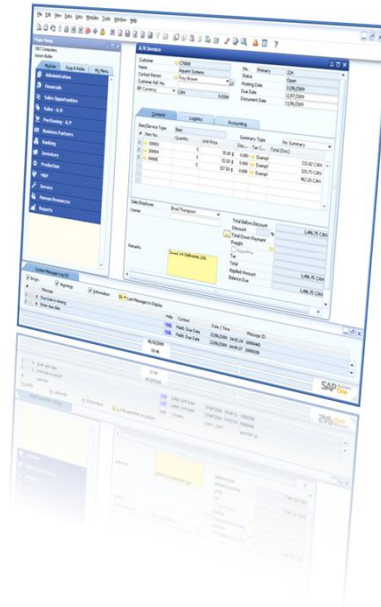
- As was mentioned before, starting with the 9.0 release, it is possible to set an item's price in up to three different currencies – the primary currency and two additional currencies.
- In the presented example, in the sales pricelist the primary currency is the default currency (that is the **British Pound**) to go into documents for local customers.
- In the additional currency in this pricelist, prices were entered in **US Dollars**.
- When you choose a US customer in an A/R Invoice, the document currency is set automatically to **US Dollars** according to the BP Currency.
- Therefore, the unit price of the item will use the additional currency, that is **US Dollars**.
- In the automatic journal entry, created by this invoice, the system converts the invoice total amount in foreign currency into local currency and posts both values in parallel.
- Note! You can set a default currency symbol for auto complete purposes when entering prices in the price list. Choose the *Price List* option from the *Price List* menu in the *Inventory* module to set a currency symbol in the primary and the additional currencies columns. For example, for the base price list enter **USD** in the *Additional Currency 1* column.
- When you will enter this price list and type a price in the *Unit Price* column in the *Additional Currency 1* section and choose TAB, the system will automatically add the **USD** symbol.
- This will enable you to easily type prices without any effect on imported prices or prices based on another price list.

## Currencies in the Pricelist

	<b>Pricelist</b>	You can enter a <b>Unit Price</b> in any <b>Foreign Currency</b> defined in the <b>Currencies – Setup</b> window.
	<b>Marketing Documents</b>	 <p>Unit price in foreign currency USD</p> <p>Exchange rate</p> <p>Total row value</p> <p>Total document value</p> <p>BP Currency Local British Pound</p> <p>Posting date: xx/yy/yyyy</p>

- For other cases where the business partner currency is not identical to one of the price list currencies. For example, when you want to price in a fixed currency to local customers.
- Then, you can enter a unit price in any foreign currency defined in the Currencies – Setup window.
- When you enter a business partner into a marketing document, the business partner's currency and their pricelists automatically default into the document. Users do not need to worry about the currency. SAP Business One will automatically convert the total row value and the total document value to Local Currency, System Currency and BP Currency, depending on the business partner's currency.
- The initial exchange rate used is based on the posting date of the document.

## Demo – Working with Currencies in Marketing Documents



## Agenda

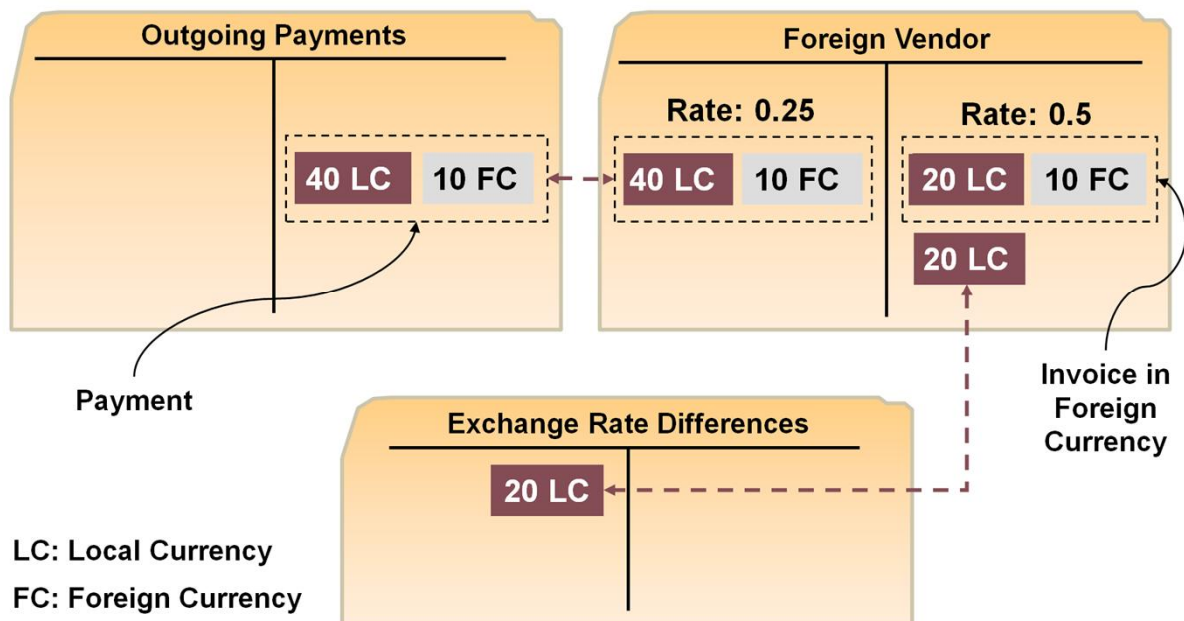
---

- Currencies in the company level
  - Local and System Currencies
  - Account Currencies
  - Currencies in the Pricelist
- Exchange Rates Differences
  - Exchange Rate Differences
  - Conversion Differences

- Next, we handle the exchange rate differences from foreign currency and system currency to local currency.



## Posting Exchange Rate Differences

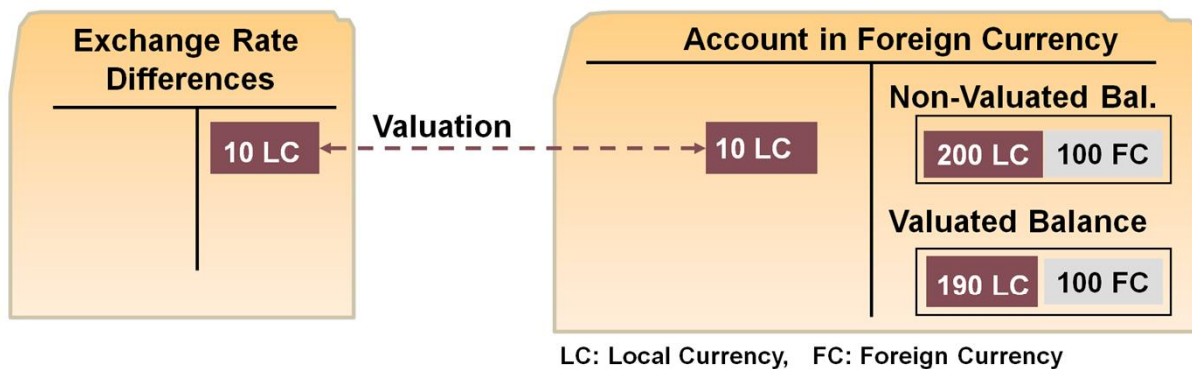


© 2013 SAP AG. All rights reserved.

17

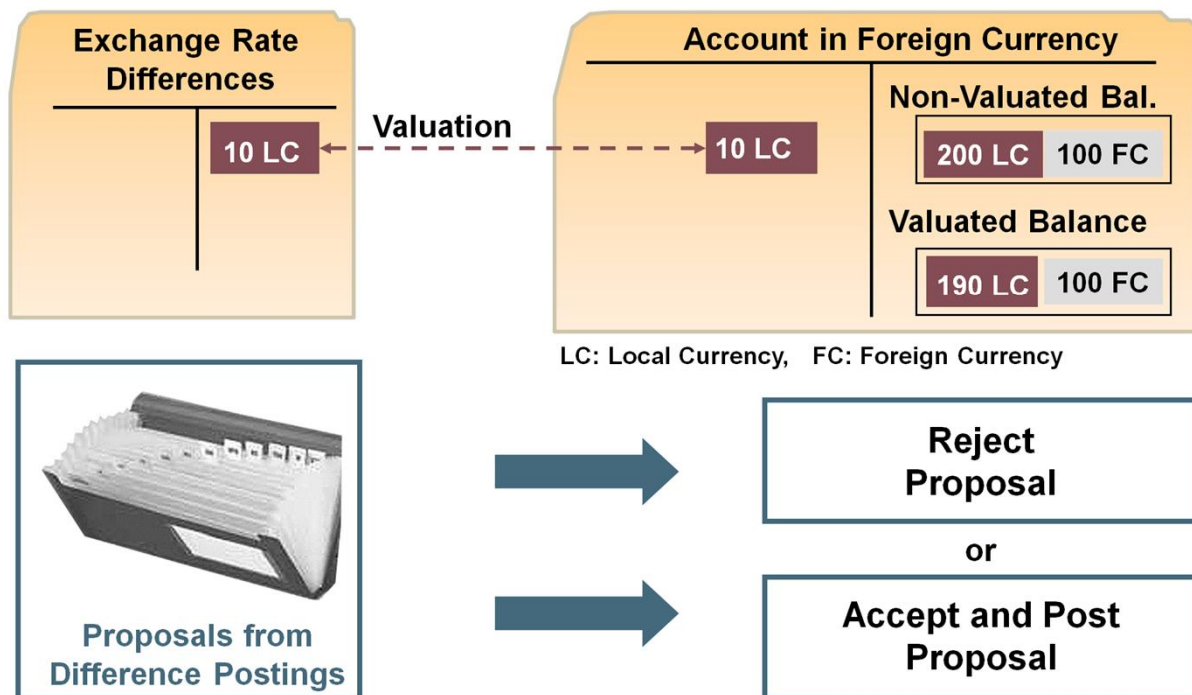
- Exchange rate fluctuations can cause **exchange rate differences** when you **pay invoices in foreign currencies**:
  - The figure shows an A/P invoice which has been issued by a foreign vendor in foreign currency. At the posting day of the invoice the exchange rate was 0.5. The system converts the 10 units foreign currency into 20 units local currency and posts both values in parallel on the credit side of the vendor account.
  - At the time when you post the payment for this invoice the exchange rate has changed to 0.25. 10 units in foreign currency are now equal to 40 units in local currency.
  - Note, that the amounts paid are the same in the foreign currency as they were in the A/P Invoice. The vendor is paid in his local currency so he will not notice the difference. We will see the rate difference in the conversion to local currency.
  - In the foreign currency, the amount of the invoice and the payment are the same, that is 10 units.
  - But, compared to the value at the time of the invoice there is an exchange rate difference of 20 units local currency. When you post the payment the system automatically posts this exchange rate difference to an exchange rate difference account.
- The system posts the exchange rate differences as expense or revenue to the accounts that you have entered in the *G/L Account Determination* window, under the *Purchasing* tab in the *Realized Exchange Diff. Gain* field and the *Realized Exchange Diff. Loss* field.

## Exchange Rate Differences, Conversion Differences at Period End Closing



- Business partner accounts and general ledger accounts that you manage in a foreign currency post an account balance in the respective foreign currency and an account balance in the local currency.
- The balance in the local currency comprises the foreign currency items that were translated using the exchange rate in the exchange rates table at the posting date or the tax date. In other words, the balance is based on past exchange rates.
- At period-end closing, therefore, you have to value the foreign currency account balance with the exchange rate on the closing key date.

## Exchange Rate Differences, Conversion Differences at Period End Closing

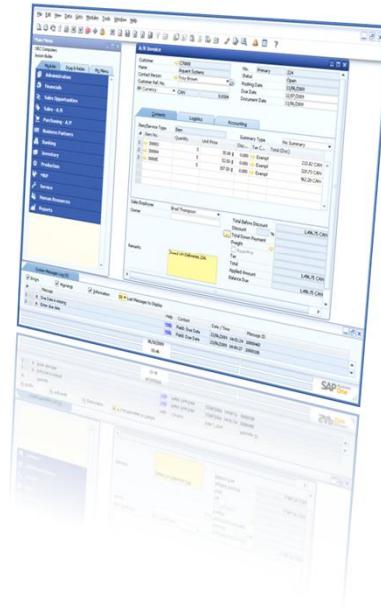


© 2013 SAP AG. All rights reserved.

19

- For this purpose you have the **Exchange Rate Differences** option in the **Financials** module. When you execute this function, the system generates a list of proposals for difference postings. You can then accept or reject each proposal individually.
- In addition to the local currency, the system also manages your data in the system currency in parallel. If your company's local currency is different from the system currency, exchange rate differences can arise. The system can clear these differences automatically. This is carried out using the **Conversion Differences** function under the **Financials** module the same way as the exchange rate differences.
- Remember that in the internal reconciliation topic we said that all internal reconciliations (system and user) need to **balance** in system currency and local currency.
- If they are not balanced in either of them, the system creates (during the reconciliation process) a balancing transaction which allows the internal reconciliation to balance in local currency and system currency.
- Using the same logic, the balancing transaction for local currency is called the **exchange rate difference transaction**. And the balancing transaction for system currency is called the **conversion rate difference transaction**.
- You must define realized exchange and conversion difference accounts on the *Sales*, *Purchasing*, and *General* tabs of the *G/L Account Determination* window (under **Administration** → **Setup** → **Financials** → **G/L Account Determination**).

## Demo – Posting Exchange Rate Differences



## Summary



Here are some key points to take away:

SAP Business One can handle accounting in two parallel currencies:

- The local currency – in which the company is legally required to keep its books.
- The system currency which is especially useful for subsidiaries of global companies.

With system currency the system automatically:

- Calculates all postings in the local currency.
- And manages an additional account balance in the system currency in real time.

Each Business Partner Master Data record and each G/L Account need to have:

- An **account currency** definition:
  - Local Currency
  - Specific Foreign Currency
  - All Currencies

- Here are some key points to take away:
- SAP Business One can handle accounting in two parallel currencies: the local currency (in which the company is legally required to keep its books) and the system currency (which can be different for subsidiaries of global companies).
- When the system currency differs from the local currency, the system automatically calculates all postings in the local currency and manages an additional account balance in the system currency in real time.
- Each business partner master data record and each G/L account need to have an account currency definition set to one of these three choices: local currency, a specific foreign currency or all currencies.

## Summary



It is possible to set an item's price in up to three different currencies in a price list:

- The primary currency and two additional currencies.

When you choose a foreign customer in a sales document.

- The document currency is set automatically according to the BP Currency.
- The unit price of the item is taken from the appropriate additional currency, if one was defined.
- The automatic journal entry converts the total amount in foreign currency into local currency and posts both values in parallel.

When you pay invoices in foreign currencies:

- In the foreign currency, the amount of the invoice and the payment are the same.
- Exchange rate differences can occur due to a rate difference in the conversion to local currency.
- The system automatically posts any exchange rate difference to an exchange rate difference account.

The *Exchange Rate Differences* option allows you to automatically clear:

- The difference between the account balance in foreign currency and the account balance in the local currency.

- It is possible to set an item's price in up to three currencies in a price list: the primary currency and two additional currencies.
- When you choose a foreign customer in a sales document, the document currency is automatically set according to the BP currency. The unit price of the item is taken from the assigned price list in the appropriate additional currency if one is defined. The automatic journal entry on the invoice converts the total amount in foreign currency into local currency and posts both values in parallel.
- When you pay invoices in foreign currencies, the amount of the invoice and the payment are the same in the foreign currency. Exchange rate differences can occur due to rate differences in the conversion to local currency. The system automatically posts any exchange rate difference to an exchange rate difference account.
- The Exchange Rate Differences option allows you to automatically clear the difference between the account balance in foreign currency and the account balance in the local currency.

## Thanks

---



**You have completed the currencies process topic**  
**Thank you for your time!**

- You have completed the currencies process topic. Thank you for your time.



No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP AG. The information contained herein may be changed without prior notice.

Some software products marketed by SAP AG and its distributors contain proprietary software components of other software vendors.

Microsoft, Windows, Excel, Outlook, PowerPoint, Silverlight, and Visual Studio are registered trademarks of Microsoft Corporation.

IBM, DB2, DB2 Universal Database, System i, System i5, System p, System p5, System x, System z, System z10, z10, z/VM, z/OS, OS/390, zEnterprise, PowerVM, Power Architecture, Power Systems, POWER7, POWER6+, POWER6, POWER, PowerHA, pureScale, PowerPC, BladeCenter, System Storage, Storwize, XIV, GPFS, HACMP, RETAIN, DB2 Connect, RACF, Redbooks, OS/2, AIX, Intelligent Miner, WebSphere, Tivoli, Informix, and Smarter Planet are trademarks or registered trademarks of IBM Corporation.

Linux is the registered trademark of Linus Torvalds in the United States and other countries.

Adobe, the Adobe logo, Acrobat, PostScript, and Reader are trademarks or registered trademarks of Adobe Systems Incorporated in the United States and other countries.

Oracle and Java are registered trademarks of Oracle and its affiliates.

UNIX, X/Open, OSF/1, and Motif are registered trademarks of the Open Group.

Citrix, ICA, Program Neighborhood, MetaFrame, WinFrame, VideoFrame, and MultiWin are trademarks or registered trademarks of Citrix Systems Inc.

HTML, XML, XHTML, and W3C are trademarks or registered trademarks of W3C®, World Wide Web Consortium, Massachusetts Institute of Technology.

Apple, App Store, iBooks, iPad, iPhone, iPhoto, iPod, iTunes, Multi-Touch, Objective-C, Retina, Safari, Siri, and Xcode are trademarks or registered trademarks of Apple Inc.

iOS is a registered trademark of Cisco Systems Inc.

RIM, BlackBerry, BBM, BlackBerry Curve, BlackBerry Bold, BlackBerry Pearl, BlackBerry Torch, BlackBerry Storm, BlackBerry Storm2, BlackBerry PlayBook, and BlackBerry App World are trademarks or registered trademarks of Research In Motion Limited.

Google App Engine, Google Apps, Google Checkout, Google Data API, Google Maps, Google Mobile Ads, Google Mobile Updater, Google Mobile, Google Store, Google Sync, Google Updater, Google Voice, Google Mail, Gmail, YouTube, Dalvik and Android are trademarks or registered trademarks of Google Inc.

INTERMEC is a registered trademark of Intermec Technologies Corporation.

Wi-Fi is a registered trademark of Wi-Fi Alliance.

Bluetooth is a registered trademark of Bluetooth SIG Inc.

Motorola is a registered trademark of Motorola Trademark Holdings LLC.

Computop is a registered trademark of Computop Wirtschaftsinformatik GmbH.

SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP BusinessObjects Explorer, StreamWork, SAP HANA, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects Software Ltd. Business Objects is an SAP company.

Sybase and Adaptive Server, iAnywhere, Sybase 365, SQL Anywhere, and other Sybase products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Sybase Inc. Sybase is an SAP company.

Crossgate, m@gic EDDY, B2B 360°, and B2B 360° Services are registered trademarks of Crossgate AG in Germany and other countries. Crossgate is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

The information in this document is proprietary to SAP. No part of this document may be reproduced, copied, or transmitted in any form or for any purpose without the express prior written permission of SAP AG.