



WHITE PAPER

Currency Without Chaos: Forex Revaluation & Multi-Currency Accounting for Indian Exporters

How ERPNext invoices and settles in foreign currency, and how its Exchange Rate Revaluation tool restates your outstanding forex balances at period-end so the gain or loss is booked, not guessed.

For CFOs at exporters/importers · 8 min read

EXECUTIVE SUMMARY

If you invoice in dollars, buy in euros, or hold a foreign-currency bank balance, the rupee value of what you're owed and what you owe changes every single day — whether or not you touch the books. Left unmanaged, that drift shows up as a nasty surprise at year-end, a debtors ledger that no longer ties to the bank, and an auditor's query you can't answer. This paper explains how ERPNext handles multi-currency properly: how it stores exchange rates, invoices and settles in foreign currency, and — crucially — how its Exchange Rate Revaluation tool restates your still-open foreign-currency balances at each period-end and books the resulting unrealised gain or loss to a dedicated account. We ground everything in the real ERPNext accounting doctypes, draw the honest line between realised and unrealised differences, and set out the practices that keep the numbers audit-ready under Indian standards.

The forex problem Indian exporters and importers actually have

The moment you raise an invoice in a currency that isn't the rupee, you've taken on a second, silent variable. An IT services firm bills a US client in dollars; a garment exporter ships against a euro purchase order; a machinery importer owes a supplier in yen. The amount in foreign currency is fixed the day you book it — but its rupee value keeps moving right up until the money actually changes hands, and beyond, if the balance is still open at period-end.

That movement is not optional to account for. Indian accounting standards — AS 11 and, for companies on Ind AS, Ind AS 21 ("The Effects of Changes in Foreign Exchange Rates") — require foreign-currency monetary items like receivables, payables and foreign bank balances to be restated at the closing rate on each reporting date, with the difference taken to the profit and loss account. Get it wrong and two things break: your debtors and creditors ledgers stop reconciling to reality, and your reported profit is misstated by an exchange difference nobody booked.

The usual failure isn't fraud or laziness — it's that the invoicing system speaks one currency and the accounts are kept in another, so the two are reconciled by hand in a spreadsheet at year-end, under time pressure, when the rates are hardest to reconstruct.

- Exporters — service and goods invoices raised in USD, EUR, GBP or AED that sit open across a reporting date.
- Importers — supplier payables in foreign currency, plus advances and letters of credit yet to settle.
- Foreign-currency bank balances — EEFC and similar accounts whose rupee value moves daily.
- The obligation: AS 11 / Ind AS 21 require open foreign-currency monetary items to be restated at the closing rate, with the difference hitting the P&L.

How ERPNext stores exchange rates

Everything downstream depends on one small, well-defined record: the Currency Exchange doctype. Its own description is exactly that — "specify exchange rate to convert one currency into another." Each record carries a date, a From Currency, a To Currency, an Exchange Rate, and two flags — For Buying and For Selling — so the rate you apply when you sell (invoice a customer) can differ from the rate you

apply when you buy (pay a supplier), which mirrors how banks actually quote you.

Because rates are dated, ERPNext always has a rate as of a given day. Every transaction stamps the exchange rate it used, so the rupee value of a foreign-currency document is never an afterthought — it's recorded at the moment of entry. ERPNext can fetch a rate automatically from a currency exchange service or fall back to the last Currency Exchange record you maintained, and it lets you override the fetched rate on any single transaction when your bank gives you a different one. The discipline point: decide whether you're pulling live rates or maintaining them manually, and keep that policy consistent, because these dated rates are the raw material for every gain/loss the system later calculates.

- Currency Exchange doctype — a dated From -> To rate, with separate For Buying and For Selling flags.
- Every transaction stamps the rate it used, so each foreign-currency document has a defensible rupee value.
- Rates can be fetched automatically or maintained by hand — pick one policy and keep it consistent.
- You can override the rate on an individual transaction when your bank's actual rate differs.

Multi-currency invoicing and payments

ERPNext lets a customer or supplier be billed in their own currency, with a receivable or payable account held in that currency. When you raise a foreign-currency sales invoice, the document records the amount in the transaction currency and, using the day's exchange rate, its equivalent in your company (base) currency — so the same invoice is simultaneously, say, a USD receivable to the customer and a rupee amount in your books.

Settlement is where the first real difference appears. A Payment Entry against that invoice captures the paid amount in the foreign currency, the exchange rate on the payment date, and the received amount — and if the rate has moved since the invoice date, ERPNext computes the exchange gain or loss on the amount settled and posts it automatically. Journal Entries have a multi-currency mode for the same reason: each accounting line can carry an account currency and an exchange rate, and ERPNext keeps both the account-currency figure and the base-currency figure in step. The result is that the rupee ledger and the foreign-currency sub-ledger stay tied together on every transaction — not just at month-end.

- Party billing currency — customers/suppliers can be invoiced in their own currency, with receivable/payable accounts in that currency.
- Every foreign-currency document holds both the transaction-currency amount and its base-currency (INR) equivalent.
- Payment Entry records the paid amount, the payment-date rate and the received amount — and books the exchange gain/loss on what's settled.
- Multi-currency Journal Entries keep account-currency and base-currency amounts in step line by line.

Accounting > Payment Entry > ACC-PAY-2021-00006

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Excellent GmbH • Draft

Submit

Amount	
Paid Amount (EUR) *	Received Amount (USD) *
3,000.00	3,591.00
Exchange Rate *	
1.201	
1 EUR = [?] USD	
Paid Amount (USD) *	
\$ 3,602.10	

A multi-currency Payment Entry in ERPNext — the paid amount, the payment-date exchange rate and the received amount, from which the realised exchange gain or loss is computed.

Realised versus unrealised gain and loss

This is the distinction the whole subject turns on, and ERPNext models both halves of it. A realised gain or loss crystallises when a foreign-currency balance is actually settled — you receive the dollars, convert them, and the rupees you get differ from the rupees you originally booked the invoice at. ERPNext posts that difference at the Payment Entry, as described above; it's real, banked, and done.

An unrealised gain or loss is different. It's the notional movement on a balance that is still open at your reporting date. You've invoiced the customer, they haven't paid, and on 31 March the closing rate isn't the rate you invoiced at — so the rupee value of that still-open receivable has moved even though no cash has changed hands. Accounting standards require you to recognise that movement anyway, at each reporting date. The key property of an unrealised difference is that it is provisional: it will be superseded by the realised figure when the balance finally settles, so many organisations reverse it at the start of the next period and let the eventual settlement book the true, realised amount. Keeping these two cleanly separated — realised on settlement, unrealised on revaluation — is what makes the P&L both compliant and explainable.

- Realised — crystallises on settlement; ERPNext books it on the Payment Entry when cash actually changes hands.
- Unrealised — the notional movement on a still-open balance at the reporting date; required by AS 11 / Ind AS 21.
- Unrealised figures are provisional — usually reversed next period so the eventual settlement books the realised amount.
- Clean separation of the two keeps reported profit compliant and, just as important, explainable to an auditor.

The Exchange Rate Revaluation tool at period-end

ERPNext's answer to the unrealised problem is a dedicated, submittable document: Exchange Rate Revaluation. You give it a Company and a Posting Date (your reporting date) and press Get Entries. It then scans your ledgers and pulls in exactly the accounts that need restating — balance-sheet accounts (assets, liabilities and equity) whose account currency differs from your company currency and which carry an outstanding balance as of that date, with their party where relevant. Stock accounts

are deliberately excluded; this is about monetary balances like debtors, creditors and foreign bank accounts.

For each account it lays out the arithmetic transparently in a child table: the balance in account currency, the current exchange rate (implied by what's on the books), the New Exchange Rate at the posting date, the resulting New Balance in Base Currency, and the Gain/Loss — simply the new rupee balance minus the old one. The document totals these and separates them into a "Gain/Loss from Revaluation" (unbooked) figure and a "Gain/Loss already booked" figure, the latter covering accounts that have effectively closed in one currency. On submit, ERPNext generates the Journal Entries that post the difference against the Unrealized Exchange Gain/Loss Account you configure on the Company master — so nothing books unless that account is set. It also offers to create the reversing journal, which is how you implement the "reverse next period" practice cleanly. A small Rounding Loss Allowance lets you treat trivial residual balances as zero so tiny rounding artefacts don't generate noise.

- Get Entries auto-fetches the accounts that qualify — non-stock balance-sheet accounts in a foreign currency with an open balance at the posting date.
- Per account it shows balance in account currency, current rate, New Exchange Rate, New Balance in Base Currency and the Gain/Loss.
- Totals split into unbooked (unrealised) revaluation gain/loss and already-booked amounts.
- On submit it posts Journal Entries to the Company's Unrealized Exchange Gain/Loss Account — which must be set first — and can create the reversing entry.
- Rounding Loss Allowance suppresses noise from trivial residual balances.

Period-end forex revaluation in ERPNext, step by step

1

Set the stage

configure the Unrealized Exchange Gain/Loss Account on the Company and hold foreign balances in the correct account currency.

2

Create an Exchange Rate Revaluation

enter the Company and the reporting date as Posting Date.

3

Get Entries

ERPNext pulls the non-stock, foreign-currency balance-sheet accounts (debtors, creditors, foreign bank) that are still open on that date.

4

Review the working

for each account: balance in account currency, current rate, New Exchange Rate, New Balance in Base Currency and the Gain/Loss.

5

Submit

ERPNext posts the unrealised gain/loss via Journal Entry to the Unrealized Exchange Gain/Loss Account.

6

Reverse next period

create the reversing journal so the eventual realised settlement books the true difference without double-counting.

The screenshot shows the ERPNext Accounting interface for an Exchange Rate Revaluation document. The document ID is ACC-ERR-2021-00001 and it is in a 'Submitted' state. The posting date is 04-20-2021 and the company is Unico Plastics Inc. The document is assigned to 'Connections'. The 'Exchange Rate Revaluation Account' section shows a table with the following data:

No.	Account	Balance In Base Curr...	New Exchange Rate	New Balance In Base ...	Gain/Loss
1	Debtors EUR - UP	\$ 3,591.00	1.210	\$ 3,630.00	\$ 39.00

The total gain/loss is \$ 39.00. The interface also shows options for 'Get Entries', 'Add Row', and 'Edit'.

The Exchange Rate Revaluation document restating an open foreign-currency debtors balance — the new exchange rate, the new balance in base currency and the resulting gain/loss for the period.

Good practice and staying audit-ready

The tool is only as trustworthy as the setup around it. A few disciplines separate a clean forex close from a messy one. First, configure the foundations once: set the Unrealized Exchange Gain/Loss Account on every company, hold receivables/payables and foreign bank balances in the correct account currency, and agree your rate-source policy — live-fetched or manually maintained — so it's the same every period. Second, run the revaluation on a fixed cadence (monthly or at least each reporting date), always dated to the actual reporting date, using the closing rate your policy prescribes; consistency of method is what auditors look for as much as the numbers themselves.

Third, decide your reversal policy deliberately. Because the revaluation books an unrealised, provisional figure, reversing it at the start of the next period keeps the eventual realised settlement clean and avoids double-counting — ERPNext's built-in reverse-journal option exists precisely for this. Finally, treat the revaluation document as evidence: it retains the account-by-account working (old rate, new rate, gain/loss) behind each posting, so when an auditor asks "how did you arrive at this exchange difference?", the answer is a submitted document, not a lost spreadsheet. That auditable trail — every open foreign-currency balance restated at a stated rate on a stated date, posted to a named account, and reversible — is exactly what AS 11 / Ind AS 21 compliance looks like in practice.

- Set the Unrealized Exchange Gain/Loss Account per company, and hold monetary balances in the right account currency.
- Fix your rate source and cadence — same policy, same closing-rate basis, every reporting date.

- Adopt a clear reversal policy so provisional unrealised figures don't double-count against later realised settlements.
- Keep the submitted revaluation as audit evidence — the per-account working is your answer to 'how was this exchange difference computed?'.

When to get help

Multi-currency in ERPNext is entirely learnable in-house, and many finance teams run it themselves. Where a partner earns their fee is in the setup that's easy to get subtly wrong and expensive to unwind: which accounts are held in which currency, how rates are sourced and stamped, how the revaluation and its reversal are scheduled into your close, and how all of that maps to the standard your auditors apply. Configure it correctly once and period-end forex becomes a routine, few-click document; configure it loosely and you inherit a debtors ledger that never quite ties out and a year-end scramble to reconstruct rates.

As an official ERPNext partner working with Indian exporters and importers, we set up multi-currency accounting and the Exchange Rate Revaluation process to match how your business actually earns and spends foreign currency — so realised differences fall out of settlements, unrealised differences are booked and reversed on a clean cadence, and every exchange difference in your P&L traces back to a document you can hand an auditor.

KEY TAKEAWAYS

- 1 The day you invoice or buy in a foreign currency, the rupee value of that open balance starts moving — and AS 11 / Ind AS 21 require you to restate it at the closing rate each reporting date.
- 2 ERPNext keeps rupee and foreign-currency ledgers tied together transaction by transaction: dated Currency Exchange rates, party billing currencies, and realised gain/loss booked automatically on settlement.
- 3 Realised differences crystallise on the Payment Entry when cash settles; unrealised differences are the provisional movement on still-open balances at period-end.
- 4 The Exchange Rate Revaluation tool auto-fetches open foreign-currency balance-sheet accounts, shows the per-account working, and on submit posts the unrealised gain/loss to the Company's Unrealized Exchange Gain/Loss Account.
- 5 A clean close comes from consistent setup: the right account currencies, a fixed rate policy and cadence, a deliberate reversal policy, and treating each submitted revaluation as audit evidence.

FAQ

Does ERPNext handle unrealised foreign-exchange gains and losses for Indian statutory accounts?

Yes. ERPNext's Exchange Rate Revaluation tool restates your open foreign-currency monetary balances — debtors, creditors and foreign bank accounts — at the closing rate on a chosen posting date and books the unrealised gain or loss to the Unrealized Exchange Gain/Loss Account set on the

Company. That is exactly the restatement AS 11 and Ind AS 21 require at each reporting date, and it leaves an auditable document behind each posting.

What's the difference between the gain ERPNext books on a payment and the one it books at revaluation?

A payment books a realised gain or loss — the balance is actually settled, cash has changed hands, and the rupees received differ from the rupees the invoice was booked at. A revaluation books an unrealised gain or loss — the notional movement on a balance that is still open at your reporting date. The unrealised figure is provisional and is usually reversed next period, so the eventual settlement books the true realised amount.

How does ERPNext get the exchange rate — do we have to key it in manually?

ERPNext stores rates in the Currency Exchange doctype as dated From -> To rates, with separate flags for buying and selling. It can fetch rates automatically from a currency-exchange service or fall back to the last rate you maintained, and you can override the rate on any individual transaction when your bank quotes you a different one. The important thing is to fix one policy — auto-fetched or manually maintained — and apply it consistently.

Should we reverse the revaluation entry, and how often should we run it?

Run the revaluation at each reporting date — monthly is common for exporters and importers — always dated to the actual reporting date using your closing-rate policy. Because the entry books a provisional, unrealised figure, most organisations reverse it at the start of the next period so it doesn't double-count against the realised gain or loss booked when the balance finally settles. ERPNext can create that reversing journal for you.

Talk to a real ERPNext expert.

Call or WhatsApp +91 62358 66111 · info@acube.co · acubeinnovations.com