

**WINPACCS®**

*software for development*



Software for international  
aid organisations

Technical Paper  
Average rate procedure

**Technical Paper: Average rate procedure**Issuer

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As of: 01.07.2009

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## Introduction

WINPACCS accounting features a moving average rate procedure, which prevents any profits or losses resulting from fluctuating exchange rates.

This means:

- the funds received by the project/office are converted into costs, equaling the amount of the provided funds based on the company currency (except for rounding differences).

or:

- each unit of company currency send to the project/office will be converted into costs. There will be no profits or losses from fluctuating exchange rates.

This procedure has been developed by chartered accountants specifically for project accounting for development cooperation.

## Recalculation of Average Rates for Entries

For most of the entries in WINPACCS accounting, an entered journal currency amount is recalculated to the corresponding company currency value, using the current average rate.

On the other side, each entry that allows the joint entry of the journal currency amount with the company currency amount triggers a recalculation of the average rate and thus leads to a new average rate.

The following entries lead to a recalculation of the average rate:

- All receipts of funds (entry mask 1)
- Transfer of funds, if the option „Entry of company currency amount and re-calculation of average rate “ is selected (entry mask 2)
- Certain income / cost entries, depending on the WINPACCS accounting income / cost account setting. The relevant settings can be defined in the accounting table.

The average rate is calculated using the following method:

The calculation is based on the balance of the real stock accounts and the newly received funds. The following formula is used:

$$\text{New average rate} = \frac{\text{Total stock in company currency} + \text{new funds in company currency}}{\text{Total stock in journal currency} + \text{new funds in journal currency}}$$

After the new average rate has been defined, for all subsequent entries the equivalent values in the company currency is calculated using this average rate. This rate is used until an entry of the above described type invokes a recalculation of the average rate.

## End-of-Period Accounts

Another component of the average rate procedure applies to the end-of-period accounts.

A newly calculated average rate during an entry period requires that the equivalent values in company currency of the real accounts are also recalculated.

To this end, the existing balance of each real account of a local WINPACCS accounting bookkeeping is entered into the bank, and with the next voucher entered back. Before re-entering the balance is re-valued with the current average rate (company currency side). The amount of the journal currency remains of course unchanged, while the equivalent value of the company currency may change.

The voucher numbers of the so generated vouchers are marked with a “\*”, to indicate an automatically entered voucher. For filing purposes also a voucher is printed, which needs to be handled like an original document / voucher.

The total amount of the equivalent values of the company currency of all real accounts remains the same (except for rounding differences). There is only a shift between the equivalent values of the company currency real accounts.

The used calculations in the procedure may result in rounding differences, which have of course to be accounted for. After re-entering the balances from the bank into the real accounts, this difference can be found in the bank balance. These minimal amounts will then be captured via the rounding-difference-accounts. The voucher is also generated automatically and is marked with a “\*” when displayed or printed. The voucher is printed and should then be filed as original voucher together with the balance entries. The rounding-difference-accounts can be defined in the accounting.

The balances of the sub-accounts (of the real accounts) also have to be re-valued. However, this is not done as described above using automatic entries. Company currency balances will only be recalculated and posted as new company currency equivalent values. This may lead to a balance difference between the periods of the real sub-accounts.

## Important Special Cases

### 1.1 The average rate calculation results in 0/0

If a journal is entered empty, the applied calculation formula leads to a division by 0.

$$\frac{\text{Total stock in company currency} + \text{new funds in base currency}}{\text{Total stock in journal currency} + \text{new funds in journal currency}} = \frac{0}{0}$$

Since this is not possible, the old average rate is maintained.

### 1.2 Special case company currency = journal currency

In case the journal currency has the same currency as it is the company currency, the average rate procedure of WINPACCS accounting is automatically disabled. WINPACCS accounting recognizes this case by comparing both currency codes.

This means:

- It is not possible to enter a set company currency amount in the entries.
- The average rate is always 1. Any amount of the company currency is identical with the journal currency amount and will be directly adopted.
- There is no re-valuation of the company currency.