



Multi Currency Contra

Support Notes

This support notes are suitable for:

- MYOB Premier
- MYOB Premier Plus

Introduction

Many businesses take advantage of reducing their outgoing cash flow by substituting goods/services for the payment of their account held with the other business. These contra type deals are easily tracked in your MYOB program even if a foreign currency is involved. This support note explains how.

What is a contra deal?

Contra deals are a convenient means by which two businesses trade between each other, using their goods/services supplied to each other as payment for those received.

An example of a Contra Deal using multi currencies is: An overseas supplier Nash Gardner who is also our customer. By arrangement when we purchase goods from Nash we pay him in European Union Euros (EURO) however when we sell him goods he pays us in United States Dollars (USD).

Nash Gardner owes us USD \$5000 for metal scrap. By arrangement, Nash sells us cargo containers to a value of EURO €16000

Nash has effectively sold us his goods and has used the income of the sale to pay for the metal scrap purchase. Nash is now both a customer and a supplier. We need to record the sales, purchases and payments in such a way that a closing balance can be determined.

How do I setup my company file to record multicurrency contra deals?

Setting up your MYOB data file to record contra deals is easy. All that is needed is a new card for the other business and a contra clearing account from which the contra deals are paid.

Step 1 - Setup the Card File

Two cards will be required for the other business: a Customer card and a Supplier card.

Using the example above, as Nash is now also a supplier, we will need to create a Supplier card for him. If the other business is a supplier such as we are to Nash then a customer card for the other business will be needed.

To create a new card:

1. Go to the **Card File** command centre, click **Card List** and click **New**.
2. Click the **Card Type** drop down arrow and select **Supplier** or **Customer**.
3. Enter the other business's details and the currency you trade in with the specific business then click **OK**.

Step 2 - Setup a Contra Clearing Account

The Contra Clearing Account is setup as a bank account and is used to pay the Bills and Invoices of the other business in the local currency which is Ringgit Malaysia.

1. Go to the **Accounts** command centre and click **Account List**.
2. Select the **Asset** tab and click **New**.
3. Make sure you select **Bank** in the **Account Type** drop-down menu.
4. Give the account a unique number that suits your account list.
5. Name the account Contra Clearing Account.
6. Click **OK**.

How are the contra sales and purchases recorded and paid?

Step 1 - Recording the sales and purchases

Record the sales and purchases to the other business using **Enter Sales** and **Enter Purchases**. Enter these transactions as they would normally be entered using multicurrency.

Referring back to Nash Gardner, the sales/purchases entered in our MYOB data file are:

- A sale for USD \$5000
- A purchase for EURO €1 6000

For this example we will consider present exchange rates of:

RM 1 = EURO €0.21097 or EURO €1 = RM 4.74

RM 1 = USD \$ 0.27322 or USD \$1 = RM 3.66

Sale:

Sales - New Service

INVOICE

Customer: Nash Gardner Terms: Net 30th after EDM Tax Inclusive

Ship to: Nash Gardner
3 Hine Street
Sother Cross Lisbon 6GD8TXY Invoice #: 00000002
Date: 09/12/2008
Customer PO #:

Description	Acct#	Amount	Job	Tax
Sale of Scrap Metal	4-1000	US\$5,000.00		N-T

Salesperson: Subtotal: US\$5,000.00
 Comment: Freight: US\$0.00 N-T
 Ship Via: Tax: US\$0.00
 Promised Date: Total Amount: US\$5,000.00

Journal Memo: Sale: Nash Gardner Paid Today: US\$0.00
 Referral Source: Payment Method: Cash Details...
 Invoice Delivery Status: To be Printed Balance Due: US\$5,000.00

Save as Recurring
 Use Recurring
 Reimburse
 Rate: USD
 Spell

Purchase:

Purchases - New Service

BILL

Supplier: Nash Gardner Terms: Net 30th after EDM Tax Inclusive

Ship to: Arty Farty
Lot 10
Burwood East Purchase #: 00000001
Date: 09/12/2008
Supplier Inv#:

Description	Acct#	Amount	Job	Tax
Purchase of 1000 containers	6-1300	€16,000.00		N-T

Subtotal: €16,000.00
Freight: €0.00 N-T
Tax: €0.00
Total Amount: €16,000.00

Comment: Ship Via: Promised Date: Journal Memo: Purchase; Nash Gardner Paid Today: €0.00

Bill Delivery Status: To be Printed Balance Due: €16,000.00

Step 2 - Recording the payments

Receive Payments

Payments received from the other business are in the form of the goods/service they provided us. Therefore, we need to credit this as a payment to their account.

1. Go to the Sales command centre and click **Receive Payments**.
2. Click the **Deposit to Account** option then select the Contra Clearing Account in the adjacent Account field.
3. Select the **Customer** then enter the **Amount Received**, which needs to be the value of the goods/service supplied to us in the currency the deal is to be done which in this case is USD.
4. Enter the **Memo, Date** and set the **Payment Method to Other**.
5. Click into the **Amount Applied** field and if necessary enter the amount.

6. Click **Record**.

The window below shows the **Receive Payments** transaction. This will result in a **deposit** of RM 13,800 into the Contra Clearing Account. This can be quickly checked by viewing the Contra Clearing Account balance in the **Accounts List** window.

The amount deposited into the Contra Account will be the equivalent of USD \$5000 (at the current exchange rate - USD \$1 = RM 3.66). MYOB will automatically convert the USD amount into RM and transfer it into your Contra Clearing Account taking into consideration the Transaction Exchange Rate.

Account: 1-2110 Cheque Account Balance ⇄: \$0.00

Customer ⇄: Nash Gardner ID #: CR000001
Amount Received: US\$5,000.00 Date: 09/12/2008
Payment Method: [dropdown] Details...
Memo: Payment; Nash Gardner

Cust PO#	Status	Date	Amount	Discount	Total Due	Amount Applied
	⇄ Open	09/12/2008	US\$5,000.00		US\$5,000.00	US\$5,000.00

Gain/Loss: \$0.00
Total Applied: US\$5,000.00
Finance Charge: US\$0.00
Total Received: US\$5,000.00
Out of Balance: US\$0.00

Include Closed Sales

Receive All Rate: USD

Help F1 Journal Register Record Cancel

Pay Bills

A payment now needs to be applied to the open bill within our system.

1. Go to the **Purchases** command centre and click **Pay Bills**.
2. Click the **Pay from Account** option then select the Contra Clearing Account in the adjacent Account field.
3. Select the **Supplier** and the outstanding bill for the value of the service/goods they supplied us will appear. In this case €16,000
4. Enter the **Memo** and **Date** then calculate the amount of Euro that the total Ringgit Malaysia within the Contra Clearing Account can buy.
5. This calculation is done as follows:

$$€ 1 = RM 4.74$$

$$€ ? = RM18,300$$

$$RM18,300 / RM 4.74 = €3,860.76$$

6. Enter this amount into the **Amount** field and apply it against the bill to be paid

Pay Bills

Account: 1-2110 Cheque Account Balance: \$18,300.00

Supplier: Nash Gardner Cheque No.: 1
 Payee: Nash Gardner Date: 09/12/2008
 Amount: €3,860.76

Three Thousand Eight Hundred Sixty European Union Euros and Seventy-Six Cents Only

Memo: Payment; Nash Gardner *Arty Farly*

Supplier's #	Status	Date	Amount	Discount	Total Owed	Amount Applied
	Open	09/12/2008	€16,000.00		€16,000.00	€3,860.76

Gain/Loss: \$0.00 Total Applied: €3,860.76
 Include Closed Purchases Finance Charge: €0.00
 Cheque Already Printed Total Paid: €3,860.76
 Remittance Advice Delivery Status: To be Printed Out of Balance: €0.00

Pay All Rate: EUR

Help F1 Print Journal Register Record Cancel

This will result in a **withdrawal** of RM 18,300 from the Contra Clearing Account. It will therefore offset the RM 18,300 **Receive Payments** deposit, leaving the Contra Clearing Account with a zero balance. This can be quickly checked by viewing the Contra Clearing Account balance in the **Accounts List** window.

If you have a few cents balance in the Contra Clearing Account a General Journal entry can be done, allocated to the Currency Gain/Loss Account as this difference can be caused due to rounding in different exchange rates.

Who Owes Who?

This is determined by using a combination of the **Receivables Aging Detail** report and the **Payables Aging Detail** report. Both these reports will list the activity and account balance for the other business.

In our example, the **Payables Aging Detail** report will show that Nash's account has an outstanding balance of €12,139.24. The **Receivables Aging Detail** report will show that Nash has no outstanding invoices with us. Therefore, a payment of €12,139.24 is required by us to Nash to close the contra deals.

If we were to view the **Receivables Aging Detail** report in Nash's MYOB company file, it would show that we owed him.

The window below shows the final payment made to Nash. This needs to be entered using **Pay Bills** and applied to the open bill. Similarly, Nash would use **Receive Payments**.

The screenshot shows the 'Pay Bills' window with the following details:

- Account: 1-2110 Cheque Account, Balance: \$0.00
- Supplier: Nash Gardner, Cheque No.: 2
- Payee: Nash Gardner, Date: 09/12/2008
- Amount: €12,139.24
- Text: Twelve Thousand One Hundred Thirty-Nine European Union Euros and Twenty-Four Cent
- Memo: Payment; Nash Gardner

Supplier's #	Status	Date	Amount	Discount	Total Owed	Amount Applied
	Open	09/12/2008	€12,139.24		€12,139.24	€12,139.24

Summary and Options:

- Gain/Loss: \$0.00
- Include Closed Purchases
- Cheque Already Printed
- Remittance Advice Delivery Status: To be Printed
- Total Applied: €12,139.24
- Finance Charge: €0.00
- Total Paid: €12,139.24
- Out of Balance: €0.00

Buttons: Pay All, Rate: EUR, Help F1, Print, Journal, Register, Record, Cancel

Please Note: The **Pay from Account** option is selected and the Cheque Account is entered in the adjacent account field. This needs to be withdrawn from your Cheque Account and not the Contra Clearing Account.