

Accounting Standard for Local Bodies (ASLB) 4
The Effects of Changes in Foreign Exchange
Rates
(Based on corresponding IPSAS 4)



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Accounting Standard for Local Bodies (ASLB) 4 - The Effects of Changes in Foreign Exchange Rates

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Accounting Standard for Local Bodies (ASLB) 4 The Effects of Changes in Foreign Exchange Rates

*(This Accounting Standard includes paragraphs set in **bold italic** type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. This Accounting Standard should be read in the context of its objective and the Preface to the Accounting Standards for Local Bodies¹.)*

The Accounting Standard for Local Bodies (ASLB) 4, 'The Effects of Changes in Foreign Exchange Rates', issued by the Council of the Institute of Chartered Accountants of India, will be recommendatory in nature in the initial years for use by the local bodies. This Standard will be mandatory for Local Bodies in a State from the date specified in this regard by the State Government concerned².

The following is the text of the Accounting Standard for Local Bodies:

Objective

1. An entity may carry on activities involving foreign exchange in two ways. It may have transactions in foreign currencies or it may have foreign operations³. In order to include foreign currency transactions and foreign operations in the financial statements of an entity, transactions must be expressed in the entity's reporting currency and the financial statements of foreign operations must be translated into the entity's reporting currency.
2. The principal issues are (a) which exchange rate(s) to use, and (b) how to report the effects of changes in exchange rates in the financial statements.

Scope

3. ***An entity that prepares and presents financial statements under the accrual basis of accounting should apply this Standard:***
 - (a) In accounting for transactions and balances in foreign currencies;***
 - (b) In translating the financial statements of foreign operations; and***
 - (c) [Refer to Appendix 1].***
4. [Refer to Appendix 1]

¹ Attention is specifically drawn to paragraph 4.2 of the 'Preface to the Accounting Standards for Local Bodies', according to which Accounting Standards are intended to apply only to items which are material.

² Reference may be made to the paragraph 7.1 of the 'Preface to the Accounting Standards for Local Bodies' providing the discussion on the compliance with the Accounting Standards for Local Bodies.

³ The Concept of foreign operations may not be relevant for local bodies in India in current scenarios. However, the same has been retained.

5. This Standard also deals with accounting for foreign currency transactions in the nature of forward exchange contracts⁴.
6. ***This Standard applies to the entities described as Local Bodies in the Preface to Accounting Standards for Local Bodies⁵.***
7. [Deleted]
8. ***This Standard does not deal with the restatement of an entity's financial statements from its reporting currency into another currency for the convenience of users accustomed to that currency or for similar purposes.***
9. [Refer to Appendix 1]

Definitions

10. ***The following terms are used in this Standard with the meanings specified:***

Average rate is the mean of the exchange rates in force during a period.

Closing rate is the spot exchange rate at the balance sheet date.

Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

Exchange rate is the ratio of exchange for two currencies.

Foreign currency is a currency other than the reporting currency of an entity

Foreign operation is an entity that is a controlled entity, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Forward exchange contract means an agreement to exchange different currencies at a forward rate.

Forward rate is the specified exchange rate for exchange of two currencies at a specified future date.

⁴ This Standard is applicable to exchange differences on all forward exchange contracts including those entered into to hedge the foreign currency risk of existing assets and liabilities and is not applicable to the exchange differences arising on forward exchange contracts entered into to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. A 'firm commitment' is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates and a 'forecast transaction' is an uncommitted but anticipated future transaction.

⁵ Refer paragraph 1.3 of the 'Preface to the Accounting Standards for Local'.

Integral foreign operation is a foreign operation, the activities of which are an integral part of those of the reporting entity.

Monetary items are units of currency money held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Non-integral foreign operation is a foreign operation that is not an integral foreign operation.

Non-monetary items are assets and liabilities other than monetary items.

Reporting currency is the currency used in presenting the financial statements.

Spot exchange rate is the exchange rate for immediate delivery.

Terms defined in other Accounting Standards for Local Bodies are used in this Standard with the same meaning as in those other Standards.

11-16 [Refer to Appendix 1]

Monetary Items

17. The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: social policy obligations and other employee benefits to be paid in cash; provisions that are to be settled in cash that are recognised as a liability. Conversely, the essential feature of a non-monetary item is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include: amounts prepaid for goods and services (e.g., prepaid rent); goodwill; intangible assets; inventories; property, plant and equipment; and provisions that are to be settled by the delivery of a non-monetary asset.

18-22. [Refer to Appendix 1]

Reporting Foreign Currency Transactions

Initial Recognition

23. A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, including transactions arising when an entity:
- (a) Buys or sells goods or services whose price is denominated in a foreign currency;
 - (b) Borrows or lends funds when the amounts payable are denominated in a foreign currency; or
 - (c) becomes a party to an unperformed forward exchange contract; or

- (d) Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.
24. ***A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.***
25. The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with ASLBs. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate.
26. Exchange rate changes may have an impact on cash or cash equivalents held or due in a foreign currency. The presentation of such exchange differences is dealt with in ASLB 2, 'Cash Flow Statements'. Although these changes are not cash flows, the effect of exchange rate changes on cash or cash equivalents held or due in a foreign currency are reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. These amounts are presented separately from cash flows from operating, investing and financing activities, and include the differences, if any, if those cash flows had been reported at end-of-period exchange rates.

Reporting at Subsequent Reporting Dates

27. ***At each balance sheet date:***
- (a) Foreign currency monetary items should be translated using the closing rate;;***
 - (b) Non-monetary items that are measured in terms of historical cost in a foreign currency should be translated using the exchange rate at the date of the transaction; and***
 - (c) Non-monetary items that are measured at fair value in a foreign currency should be translated using the exchange rates at the date when the fair value was determined.***
28. The carrying amount of an item is determined in conjunction with other relevant ASLBs. For example, property, plant and equipment may be measured in terms of fair value or historical cost in accordance with ASLB 17, 'Property, Plant and Equipment'. Whether the carrying amount is determined on the basis of historical cost or on the basis of fair value, if the amount is determined in a foreign currency, it is then translated into the functional currency in accordance with this Standard.

29. The carrying amount of some items is determined by comparing two or more amounts. For example, the carrying amount of inventories held for sale is the lower of cost and net realisable value in accordance with ASLB 12, 'Inventories'. Similarly, in accordance with ASLB 21 'Impairment of Non-Cash-Generating Assets', the carrying amount of a non-cash generating asset for which there is an indication of impairment is the lower of its carrying amount before considering possible impairment losses and its recoverable service amount. When such an asset is nonmonetary and is measured in a foreign currency, the carrying amount is determined by comparing:
- (a) The cost or carrying amount, as appropriate, translated at the exchange rate at the date when that amount was determined (i.e., the rate at the date of the transaction for an item measured in terms of historical cost); and
 - (b) The net realisable value or recoverable service amount, as appropriate, translated at the exchange rate at the date when that value was determined (e.g., the closing rate at the reporting date).
- The effect of this comparison may be that an impairment loss is recognised in the functional currency but would not be recognised in the foreign currency, or vice versa.
30. When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

Recognition of Exchange Differences

31. [Refer to Appendix 1]
32. ***Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, should be recognised in surplus or deficit in the period in which they arise, except as described in paragraph 37.***
33. When monetary items arise from a foreign currency transaction and there is a change in the exchange rate between the transaction date and the date of settlement, an exchange difference results. When the transaction is settled within the same accounting period as that in which it occurred, all the exchange difference is recognised in that period. However, when the transaction is settled in a subsequent accounting period, the exchange difference recognised in each period up to the date of settlement is determined by the change in exchange rates during each period.
34. The treatment of foreign currency exchange rate changes in a cash flow statement is described in paragraph 26.

35. ***When a gain or loss on a non-monetary item is recognised directly in net assets/equity, any exchange component of that gain or loss should be recognised directly in net assets/equity. Conversely, when a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss should be recognised in surplus or deficit.***
36. Other ASLBs require some gains and losses to be recognised directly in net assets/equity. For example, ASLB 17 requires some gains and losses arising on a revaluation of property, plant, and equipment to be recognised directly in net assets/equity. When such an asset is measured in a foreign currency, paragraph 27 (c) of this Standard requires the revalued amount to be translated using the rate at the date the value is determined, resulting in an exchange difference that is also recognised in net assets/equity.

Net Investment in a Non-integral Foreign Operation

37. ***Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a non-integral foreign operation should be accumulated in a net asset/equity in the entity's financial statements until the disposal of the net investment, at which time they should be recognised as income or as expenses in accordance with paragraph 57.***
- 37A. **An entity may have a monetary item that is receivable from, or payable to, a non-integral foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension to, or deduction from, the entity's net investment in that non-integral foreign operation. Such monetary items may include long-term receivables or loans but do not include trade receivables or trade payables.**

38-39. [Refer to Appendix 1]

Financial Statements of Foreign Operations

Classification of Foreign Operations

- 39A. The method used to translate the financial statements of a foreign operation depends on the way in which it is financed and operates in relation to the reporting entity. For this purpose, foreign operations are classified as either "integral foreign operations" or "non-integral foreign operations".
- 39B. A foreign operation that is integral to the operations of the reporting entity carries on its business as if it were an extension of the reporting entity's operations. For example, such a foreign operation might only sell goods imported from the reporting entity and remit the proceeds to the reporting entity. In such cases, a change in the exchange rate between the reporting currency and the currency in the country of foreign operation has an almost immediate effect on the reporting entity's cash flow from operations. Therefore, the change

in the exchange rate affects the individual monetary items held by the foreign operation rather than the reporting entity's net investment in that operation.

- 39C. In contrast, a non-integral foreign operation accumulates cash and other monetary items, incurs expenses, generates income and perhaps arranges borrowings, all substantially in its local currency. It may also enter into transactions in foreign currencies, including transactions in the reporting currency. When there is a change in the exchange rate between the reporting currency and the local currency, there is little or no direct effect on the present and future cash flows from operations of either the non-integral foreign operation or the reporting entity. The change in the exchange rate affects the reporting entity's net investment in the non-integral foreign operation rather than the individual monetary and non-monetary items held by the non-integral foreign operation.
- 39D. The following are indications that a foreign operation is a non-integral foreign operation rather than an integral foreign operation:
- (a) while the reporting entity may control the foreign operation, the activities of the foreign operation are carried out with a significant degree of autonomy from those of the reporting entity;
 - (b) transactions with the reporting entity are not a high proportion of the foreign operation's activities;
 - (c) the activities of the foreign operation are financed mainly from its own operations or local borrowings rather than from the reporting entity;
 - (d) costs of labour, material and other components of the foreign operation's products or services are primarily paid or settled in the local currency rather than in the reporting currency;
 - (e) the foreign operation's sales are mainly in currencies other than the reporting currency;
 - (f) cash flows of the reporting entity are insulated from the day-to-day activities of the foreign operation rather than being directly affected by the activities of the foreign operation;
 - (g) sales prices for the foreign operation's products are not primarily responsive on a short-term basis to changes in exchange rates but are determined more by local competition or local government regulation; and
 - (h) there is an active local sales market for the foreign operation's products, although there also might be significant amounts of exports.

The appropriate classification for each operation can, in principle, be established from factual information related to the indicators listed above. In some cases, the classification of a foreign operation as either a non-integral foreign operation or an integral foreign operation of the reporting entity may not be clear, and judgement is necessary to determine the appropriate classification.

Integral Foreign Operations

- 39E. *The financial statements of an integral foreign operation should be translated using the principles and procedures in paragraphs 23-37A if the transactions of the foreign operation had been those of the reporting entity itself.***

- 39F. The individual items in the financial statements of the foreign operation are translated as if all its transactions had been entered into by the reporting entity itself. The cost and depreciation of tangible fixed assets is translated using the exchange rate at the date of purchase of the asset or, if the asset is carried at fair value or other similar valuation, using the rate that existed on the date of the valuation. The cost of inventories is translated at the exchange rates that existed when those costs were incurred. The recoverable amount or realisable value of an asset is translated using the exchange rate that existed when the recoverable amount or net realisable value was determined. For example, when the net realisable value of an item of inventory is determined in a foreign currency, that value is translated using the exchange rate at the date as at which the net realisable value is determined. The rate used is therefore usually the closing rate. An adjustment may be required to reduce the carrying amount of an asset in the financial statements of the reporting entity to its recoverable amount or net realisable value even when no such adjustment is necessary in the financial statements of the foreign operation. Alternatively, an adjustment in the financial statements of the foreign operation may need to be reversed in the financial statements of the reporting entity.
- 39G. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.

Non-integral Foreign Operations

- 39H. *In translating the financial statements of a non-integral foreign operation for incorporation in its financial statements, the reporting entity should use the following procedures:***
- (a) *the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate;***
 - (b) *income and expense items of the non-integral foreign operation should be translated at exchange rates at the dates of the transactions; and***
 - (c) *all resulting exchange differences should be accumulated in net asset/equity until the disposal of the net investment.***
- 39I. For practical reasons, a rate that approximates the actual exchange rates, for example an average rate for the period is often used to translate income and expense items of a foreign operation.
- 39J. The translation of the financial statements of a non-integral foreign operation results in the recognition of exchange differences arising from:
- (a) translating income and expense items at the exchange rates at the dates of transactions and assets and liabilities at the closing rate;

- (b) translating the opening net investment in the non-integral foreign operation at an exchange rate different from that at which it was previously reported; and
- (c) other changes to net asset/equity in the non-integral foreign operation

These exchange differences are not recognised as income or expenses for the period because the changes in the exchange rates have little or no direct effect on the present and future cash flows from operations of either the non-integral foreign operation or the reporting entity. When a non integral foreign operation is consolidated but is not wholly owned, accumulated exchange differences arising from translation and attributable to non-controlling interests are allocated to, and reported as part of, the non-controlling interest in the consolidated balance sheet.

- 39K. Any goodwill/other adjustment arising on the acquisition of a non integral foreign operation is translated at the closing rate in accordance with paragraph 39H
 - 39L. A contingent liability disclosed in the financial statements of a non integral foreign operation is translated at the closing rate for its disclosure in the financial statements of the reporting entity.
 - 39M. The incorporation of the financial statements of a non-integral foreign operation in those of the reporting entity follows normal consolidation procedures, as per ASLB 35, '*Consolidated Financial Statements*⁶'.
- 40-56. [Refer to Appendix 1]

Disposal of a Non-integral Foreign Operation

- 57. ***On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences deferred in the separate component of net assets/equity relating to that foreign operation shall be recognized in surplus or deficit when the gain or loss on disposal is recognised.***
- 58. An entity may dispose of its interest in a foreign operation through sale, liquidation, repayment of contributed capital or abandonment of all, or part of, that entity. The payment of a dividend or similar distribution is part of a disposal only when it constitutes a return of the investment, for example when the dividend or similar distribution is paid out of pre-acquisition surplus. In the case of a partial disposal, only the proportionate share of the related accumulated exchange difference is included in the gain or loss. A write-down of the carrying amount of a non-integral foreign operation does not constitute a partial disposal. Accordingly, no part of the deferred foreign exchange gain or loss is recognized in surplus or deficit at the time of a write-down.

⁶ The Guidance with regard to consolidation, if applicable, may be obtained from other corresponding pronouncements as per the hierarchy prescribed in paragraph 15 of the ASLB 3, '*Accounting Policies, Changes in Accounting Estimates, and Errors*'.

Change in the Classification of a Foreign Operation

- 58A.** *When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification should be applied from the date of the change in the classification.*
- 58B. The consistency principle requires that foreign operation once classified as integral or non-integral is continued to be so classified. However, a change in the way in which a foreign operation is financed and operates in relation to the reporting entity may lead to a change in the classification of that foreign operation. When a foreign operation that is integral to the operations of the reporting entity is reclassified as a non-integral foreign operation, exchange differences arising on the translation of non-monetary assets at the date of the reclassification are accumulated in a net asset/equity. When a non-integral foreign operation is reclassified as an integral foreign operation, the translated amounts for non-monetary items at the date of the change are treated as the historical cost for those items in the period of change and subsequent periods. Exchange differences which have been deferred are not recognised as income or expenses until the disposal of the operation.

Forward Exchange Contracts

- 58C.** *An entity may enter into a forward exchange contract or another financial instrument that is in substance a forward exchange contract, which is not intended for trading or speculation purposes, to establish the amount of the reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract should be amortised as expense or income over the life of the contract. Exchange differences on such a contract should be recognised in the statement of Income and Expenditure in the reporting period in which the exchange rates change. Any surplus or deficit arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the period.*
- 58D. The risks associated with changes in exchange rates may be mitigated by entering into forward exchange contracts. Any premium or discount arising at the inception of a forward exchange contract is accounted for separately from the exchange differences on the forward exchange contract. The premium or discount that arises on entering into the contract is measured by the difference between the exchange rate at the date of the inception of the forward exchange contract and the forward rate specified in the contract. Exchange difference on a forward exchange contract is the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date.
- 58E.** *A gain or loss on a forward exchange contract to which paragraph 58C does not apply should be computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at*

the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period). The gain or loss so computed should be recognised in the statement of Income and Expenditure for the period. The premium or discount on the forward exchange contract is not recognised separately.

58F. In recording a forward exchange contract intended for trading or speculation purposes, the premium or discount on the contract is ignored and at each balance sheet date, the value of the contract is marked to its current market value and the gain or loss on the contract is recognised.

59. [Refer to Appendix 1]

Disclosure

60. [Refer to Appendix 1]

61. ***The entity should disclose:***

(a) The amount of exchange differences recognised in surplus or deficit,; and

(b) Net exchange differences classified in a separate component of net assets/equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.

61A. ***When there is a change in the classification of a significant foreign operation, an entity should disclose:***

(a) the nature of the change in classification;

(b) the reason for the change;

(c) the impact of the change in classification on net asset/equity; and

(d) the impact on net surplus or deficit for each prior period presented had the change in classification occurred at the beginning of the earliest period presented.

61B. The effect on foreign currency monetary items or on the financial statements of a foreign operation of a change in exchange rates occurring after the balance sheet date is disclosed in accordance with relevant ASLB.

61C. Disclosure is also encouraged of an entity's foreign currency risk management policy.

62-73. [Refer to Appendix 1]

Appendix 1

Note: This Appendix is not a part of the Accounting Standard for Local Bodies. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard for Local Bodies (ASLB) 4 and the corresponding International Public Sector Accounting Standard (IPSAS) 4, 'The Effects of Changes in Foreign Exchange Rates'.

Comparison with IPSAS 4, 'The Effects of Changes in Foreign Exchange Rates'

1. Different terminologies have been used in ASLB 4 as compared to corresponding IPSAS 4, e.g., terms 'balance sheet' and 'income and expenditure statement' have been used in place of 'statement of financial position' and 'statement of financial performance'.
2. The concept of foreign operations may not be relevant for Local bodies in India in current scenario; therefore, an appropriate footnote has been inserted in this regard in the Standard. ASLB 4 is based on integral foreign operations and non-integral foreign operations approach for accounting for a foreign operation, whereas IPSAS 4 is based on functional currency approach.
3. The terms 'average rate', 'foreign currency', 'forward rate', 'forward exchange contract', 'integral foreign operation', 'non-integral operation', 'non-monetary assets', and 'reporting currency' have been defined additionally in ASLB 4.
4. IPSAS 4 refers to the IPSASs on '*Financial Instruments*' at various places. Those provisions have been deleted in the ASLB 4 keeping in view that formulation of ASLBs corresponding to the IPSASs on Financial Instruments is not proposed to be taken up in near future considering that Local Bodies in India are at very early stage of adoption of accrual basis of accounting, it would be difficult for Local Bodies to implement ASLBs on Financial Instruments. However, some provisions pertaining to accounting of forward exchange contracts and other similar financial instruments have been inserted in line with the Existing AS 11.
5. Paragraph 6 of earlier IPSAS 4 that earlier pertained to applicability of IPSASs has been deleted by the IPSASB from this Standard because a separate document of IPSASB on '*Applicability of IPSASs*' now deals with the same. However, the provisions pertaining to applicability of ASLBs has been covered in the Standard itself in line with other issued ASLBs.
6. IPSAS provides procedure for translation of financial performance and financial position of an entity whose functional currency is the currency of a hyperinflationary economy. These paragraphs have not been included in this ASLB 4 because the Indian economy is not hyperinflationary economy.

7. Paragraphs pertaining to change in functional currency have been excluded in ASLB 4 as it is not relevant in case of Local Bodies in India since their functional currency is Indian Rupee.
8. The provisions pertaining to translation of an entity's financial statement into presentation currency have been deleted from ASLB 4 as it may not be relevant for Local Bodies in Indian context.
9. Paragraph 59 of IPSAS 4 which provides for tax effects of exchange differences has been deleted, as it is not relevant for Local Bodies in India.
10. Paragraphs 71-72 pertaining to effective date have been deleted as the ASLBs would become mandatory for Local Bodies in a State from the date specified by the State Government concerned.
11. Other consequential changes in ASLB 4 have also been made due to all above changes. However, paragraph numbers have been retained to maintain consistency with the corresponding IPSAS.

Appendix 2

Note: This Appendix is not a part of the Accounting Standard for Local Bodies. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard for Local Bodies (ASLB) 4 and the existing Accounting Standard (AS) 11, 'The Effects of Changes in Foreign Exchange Rates' issued by the Institute of Chartered Accountants of India.

Comparison with Existing AS 11, 'The Effects of Changes in Foreign Exchange Rates'

1. Different terminologies have been used in certain instances, e.g., the terms 'Income and Expenditure Account' and 'minority interest' have been used instead of 'Profit and Loss Account' and 'non-controlling interest'.
2. Existing AS 11 provides guidance for accounting of tax effects of exchange differences but ASLB 4 does not deal with the same.