A list of top Indian multinational companies selected for the study (Annual Reports (2000-2004)):

1. ASIAN PAINTS
2. BANK OF INDIA
3. BHARAT FORGE
4. BHEL
5. CHAMBAL
6. CMC
7. COLGATE
8. CUMMINS INDIA
9. DR REDDY'S LABORATORIES
10. GRASIM
11. HINDALCO
12. INFOSYS TCH
13. MASTEK
14. MOSER BAER
15. ONGC (PETROLEUM)
16. PARRYS
17. RANBAXY (PHARMACY)
18. RELIANCE INDUSTRIES
19. SATYAM COMPUTERS
20. STATE BANK OF INDIA
21. SUN DREAM FASTENERS
22. SUN PHARMA
23. TATA STEEL
24. TATA TEA
25. TITAN INDUSTRIES
26. TORRENT PHARMA
27. VIDEO .CON
28. VSNL
29. WIPRO
30. ZEE TELEFILMS
A list of sample companies in Yemen selected for the study (Annual Reports 2000-2004):

1. Calvon Bank
2. International Bank of Yemen
3. Islamic Bank for Finance and Investment
4. Marab Insurance
5. National company of cigarette (Kamaran)
6. Saba Islamic Bank
7. Tabet Industrial Group
8. Tadhmon International Islamic Bank
9. United Bank
10. United Insurance
11. Yemen and Kuwait of Real State development
12. Yemen Bank for reconstruction and development
13. Yemen Commercial Bank
14. Yemen Company of manufacturing and trading medicines
15. Yemen Insurance
16. Yemen General Insurance
17. Yemen Kuwait Bank
LIST OF EXPERTS, INTERVIEWED & QUESTIONNAIRE PANEL

1) Dr (Prof) Shirin Rathore (Dean of Colleges, University of Delhi and International Author in International Accounting Field.)
2) Dr (Prof) Ashok Joshi (Director Of Indsearch)
3) Dr (Prof) C.G. Vaidya (EX- Principal Of BMCC)
4) Dr (Prof) A.B. RAO – B.V. University
5) Dr (Prof) R.G. Bapat - V.SA HAKARI BANK (Director)
6) Dr (Prof) V.S Kaveri – NIBM
7) Dr (Prof) P.P Bawale - PMA
8) Dr, M.C. Kale. Pune University
9) Dr (Prof) Sharad Joshi - (Formerly Director Of MBA Department)
10) (Prof) Zaware – Director of Zaware Academy of C.A.
11) Dr (Mrs.) Deepika Chadda - St..Miras College
12) Dr (Prof) N.B. Shete - NIBM
13) Dr (Prof) M. Y. Khan (Senior Director, RBI)
14) Dr (Prof) P.N. Sinjh (Delhi school of professional studies, &State ,Minster of finance)
15) (Prof) Shilpa, Bhide. (Symbiosis. International University)
16) Dr (Prof) V. BHATE (Symbiosis. International University)
17) Mr., Kamlesh S. Vikamsey( Vice –President Of ICAI)
18) Dr (Prof) k.C. Mishra (National INSURANCE Academy- Director)
19) Dr (Prof) Khedkar E.B( Director Of Alana Institution Of M Sciences)
20) Dr, S.S. Gunjal( Indsearch)
21) Dr (Prof) K.G. Pathan (Dean Of Commerce- B.V. University)
22) Mr. Bharat Shah (practicing C.A)
23) Mr., Nitin Parekh (C.A&CPA)
24) Mr. R.S. Aralkatti (General Manager –ALFA GROUP)
25) Dr (Prof) Al- amery (Hodladah University)
Respected Sir / Madam

It pleases me and gives me much honour to present to you this questionnaire, which was prepared with a view to obtain data related to the field thesis for the Ph. D in accounting.

The topic of research titled [A study of accounting practices and policies adopted on the effects of changes in foreign exchange rates in selected enterprises, in India and Yemen compared with IAS No. 21].

Therefore, if the answers are accurate, the results will be good and useful.

The answers will be used for scientific research only.

I will be pleased to receive any additions remarks on additional papers if the back side of the pages will not be sufficient for this purpose.

The researcher has used (IAS), which means International Accounting Standard.

I will be grateful to you for your co-operation and hope that the questionnaire will be returned as soon as possible.

The Ph.D. researcher
Aref Abdulrazzak Ahmed

The Ph.D. Guide
Dr. Shaikh
Anwar Aftab

This student deserves the help and co-operation as according to our recommendation:

(1) Dr. Ashok Joshi — Director of Insearch.
(2) Prof. Zawar — ICAI.
(3) Dr. P.C. Shejalkar (father of management).
Questionnaire

Personal/Job specification related

1. Age: 

2. Qualification: 

3. How many years of experience do you have at your current position? 

4. What is your current job title? 

☐ Financial manager ☐ Staff Accountant Officer ☐ Chartered Accountant  
☐ Auditor. in the supreme audit organization (in India called “CAG”)  

ACCOUNTING PRACTICES OF FOREIGN CURRENCY TRANSACTIONS 

TRANSLATION RELATED: 

5) What is the foreign exchange rate used in recording transactions denominated in foreign currencies in the company accounts? Please Check: (✓)

<table>
<thead>
<tr>
<th>Foreign exchange rate used</th>
<th>At transaction date</th>
<th>Forecasted Rate</th>
<th>Contract Rate</th>
<th>Fixed Rate</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Forward Rate</th>
<th>Others</th>
</tr>
</thead>
</table>

6) During the financial year, at time of payment / receipt, how exchange differences are treated? 

To be adjusted with purchase amount (import contract) ( )  
To be adjusted with sale amount (export contract) ( )  
To be adjusted with cost of fixed assets ( )  
To be included in the income statement ( )

Others: 

7). In the end of financial year, what is the exchange rate used in translating (converting) monetary assets and liabilities in foreign currencies? Please Check: (✓)
| Monetary items: | | | | | | | | |  
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1). Short term | | | | | | | | |  
| 2). Long term | | | | | | | | |  
| Non-monetary items: | | | | | | | | |  
| 1. At cost | | | | | | | | |  
| 2. At Fair value | | | | | | | | |  

**Recognition and disclosure of exchange differences at the end of financial year:**

8) How the exchange differences (gains and losses) arising from translation (converting) monetary assets and liabilities in foreign currencies are recognized and disclosed in the financial statements at balance sheet date? **Please Check (✔)**

**Immediate recognition** of exchange differences in Income Statement as revenue ( )

Or expense.

**No recognition** of exchange differences at all till date of payment / receipt ( )

**Recognition of** exchange differences **losses** in income statement as expenses and ignoring exchange differences gains. ( )

2
Recognition of exchange differences losses as expenses in income statement and gains deferred and shown in balance sheet as liability.

Deferral of both loss and gain (showing in balance sheet).

Recognition of exchange differences related to short term items as expenses or revenue in income statement and no recognition of exchange differences related to long term monetary assets and liabilities until the date of settlement.

Recognition of exchange differences related short term item in income statement as expenses and revenues and exchange differences related long-term items deferred and amortized on the systematic basis.

Others: __________________________________________________________

9 Presentation: are exchange differences of foreign currency transaction presented in separate component in financial statement structure? Yes ( ) No ( )

Investment loan

10) Foreign currency Long term loan to finance acquisition of fixed assets & establishing projects: how the exchange differences (gains and losses) to be treated?

• Exchange difference to be include in income statement ( )
• Exchange differences to be adjusted with the cost of assets related (capitalized) ( )
• Exchange differences deferred and amortized over the remaining life of Loan. ( )
• Exchange differences to be adjusted with interest expenses. ( )

ATTITUDES AND “PREFERENCES” TO ACCOUNTING POLICIES OF FOREIGN CURRENCY TRANSACTION:

Foreign Exchange rate used:

11) What is the appropriate accounting method to translate foreign currency monetary items (assets and liabilities) at balance sheet date?

a. To translate all foreign currency monetary items using the closing rate ( )

b. To translate all foreign currency monetary items using the historical rate ( )

c. To translate Long term foreign currency monetary items using the historical rate and short term items using the closing rate. ( )

d. To translate all foreign currency monetary items using forecasting rate ( )

e. Others:-------------------------------------------------------------------
12) If your preference is to use the closing rate: What are the reasons of your preferences?
   a) The closing rate can predict movement of exchange rate in future. ( )
   b) The foreign exchange market can present objective evidence about the closing (current) rate ( )
   c) The closing rate is easily determinable for freely tradable currencies ( )
   d) The closing rate provides a more useful presentation of the financial position of company at the balance sheet date ( )

   Others ________________________________

13) Exchange difference: Recognition and disclosure:
   In case of using “the closing rate” in translating the assets and liabilities denominated in foreign currency; how the exchange difference (gains and losses) should be treated?
   (What is your preferable method)?
   a. Immediate recognition of all exchange differences as income or expenses in income statement ( )
   b. Recognition of only losses in income statement and ignoring gains. ( )
   c. Recognition of losses in income statement. Gains deferred and shown in balance sheet ( )
   d. Exchange differences arising from translating long term assets and liabilities should be deferred and amortized over the remaining life of the items related. ( )

14) IMMEDIATE RECOGNITION OF EXCHANGE DIFFERENCES
   In case you prefer immediate recognition of exchange difference in income statement: what are the reasons of your preferences?

   Please Check: (✓)

   Statement : (✓)
   It is in agreement with the accruals principle
   It is in agreement with the full disclosure principle
   It provides relevant information for decision making
   It reflects the economic effects of exchange are changes on performance of company and its financial position.

International Accounting Standard No.21 (in its revision of 2003) has eliminated capitalization of the exchange differences related to assets financed by foreign debt.
15) Do you agree with this procedure? ( ) yes ( ) No
16). If your answer is “Yes”, what are the reasons? (✔)
   • Exchange differences related to risk management and financing and not related to purchase / sale decisions.
   • Availability of hedging instruments that the company can use them to protect its business.
   • Foreign currency market are free market( no exchange control)
   • Capitalization of exchange losses on continuing basis results in carrying forward the loss incurred in an accounting period to further periods.
   • Capitalization is not compatible with historical cost principle

Others: __________________________________________________________

17) Rank the importance of the following indicators in the classification of foreign operations into (1) independent foreign entity or (2) dependent foreign operations?
(From 1 to 6)

  Degree of managerial autonomy of foreign entity from the parent company ( )
  The sale currency by which foreign entity conducts its sales ( )
  The source of finance from Parent Company or not ( )
  Intra-transactions between the parent company and its foreign branch ( )
    Or subsidiary
    Impact of daily of foreign entity on the cash flows of the parent company ( )
  Cost currency by which foreign entity pay its cost and expenses ( )

Others: __________________________________________________________

18) Do you think in addition to these indicators that the professional judgment is required to classify the foreign operations? ( ) Yes ( ) To some extent ( ) No

19) The primary users of consolidated financial statement are:

   a) The Parent Company Management

   b) The Subsidiary Company Management

   c) The Investors and Creditors of Subsidiary Company
METHODS OF TRANSLATION OF FINANCIAL STATEMENT OF FOREIGN BRANCH AND SUBSIDIARY: According to your opinion, what appropriate method should be used?

**The Current / non-current method**
Under this method, current (assets and liabilities) are translated using the closing rate (foreign exchange rate at balance sheet), the non-current (assets and liabilities) are translated using historical rates (foreign exchange rates at transaction dates).

**The monetary / non-monetary method**
Under this method, monetary assets and liabilities translated using the closing rate and non-monetary assets and liabilities using historical rates.

**Temporal method**
Assets and liabilities measured by current value will be translated using the closing rate and assets and liabilities measured by historical cost will be translated using historical exchange rates.

**The Current Rate method**
Under this method, all assets and all liabilities are translated using single rate (i.e. the closing rate).

**The Situational Approach**
Under this approach, **Independent** foreign entity translated its financial statement using the current rate method and **dependent** foreign operation translated

Its financial statement using the temporal method

**The (Purchasing Power Parity Index)**
Under this approach financial statements of foreign branch or subsidiary, should not be translated using foreign exchange rates but, they are translated by purchasing power parity index. =

The purchasing power of the domestic country
The purchasing power of the foreign country

Others
21) How the translation gains and losses arising from translating financial statements of foreign branch and subsidiary should be treated?

- In income statement as revenue or expenses ( ).
- In balance sheet as assets or liability ( ).
- As part of equity till disposal of foreign entity ( ).

22) The Net investment:

A foreign entity (i.e. subsidiary, associate, joint venture) consolidated by one line technique in the consolidated financial statements: What is the exchange rate should be used to translate the net investment?

Rate at the balance sheet date ( )
Rate at the transaction date (i.e. date of acquisition of shares) ( )
Average exchange rate ( )
Others ________________________________

23) How the translation differences (gains or losses related to the above net investment) to be shown in consolidated financial statements?

- In balance sheet as part or equity until the disposal of the net investment ( )
- In income statement as expenses or income for the accounting period ( )

Others: _____________________________________________________________

24) THE INTRA-MONETARY ITEMS In case of monetary commitment between the company and its branches and subsidiaries abroad such loans, debt. How the exchange differences arising from translating the long term monetary items of intra transaction should be treated?

*In income statements as expenses or income. ( )  * In balance sheet as part of equity ( )
*No recognition at all in financial statement ( )
*The translation differences to be: In income statement if foreign operation is not independent and in balance sheet if foreign operation is independent ( )

Others: _____________________________________________________________

Hedging the net investment in a foreign entity:

25) How the exchange differences (gains and losses) arising from monetary transaction for hedging the net investment in foreign entities should be treated?

a. They should be included in balance sheet as part of equity ( )

b. They should be included in income statement ( )

c. They should be deferred and amortized over the remaining life of hedging contracts / loans ( )

Others: _____________________________________________________________
(26) **INFLATION AND FINANCIAL STATEMENTS OF FOREIGN BRANCH AND SUBSIDIARY** (IAS NO 29):

Do you think that firms apply inflation accounting? ( ) Yes ( ) To Some Extent ( ) No

27) Do you think that adjustment of financial statement of foreign branch or subsidiary by price level changes is useful to users of accounting information? ( ) Yes ( ) To some extent ( ) No

28) Do you think the firms adjust financial statement of its foreign branch or subsidiary (in price level changes)? ( ) Yes ( ) No

29) Do you think that the companies do not adjust financial statements of their foreign branch or subsidiary due to the following reasons?

( ) There is no benefit from this procedure ( ) There are difficulties in the application
( ) There are views that the adjustment distorts the operating results
( ) There are views that the adjustment based on subjectivity
( ) The adjustment requires advanced knowledge of accounting and economic concepts
( ) There is no legal and professional requirement

( ) currency translation with price level adjustment leads to double accounting

Others: ____________________________________________

30) **What is the suggested accounting approach** to treat (restate) financial statements of foreign branch& Subsidiary **Under Inflation**?

**(T-R)** financial statement of foreign subsidiary first, translated to domestic currency, second, restated using Inflation index of parent company country (i.e. domestic index)

( )

**(R-T)** financial statement restated using inflation index of subsidiary company country (i.e. foreign index) second, translated to domestic currency

( )

**Shwayder Approach** financial statements restated with considering both foreign and domestic inflation indexes then translated to domestic currency.

( )

Others: ____________________________________________

31) What is your opinion about the quality and level of disclosure practices in India regarding the effects of the foreign exchange rate changes?

( ) Adequate ( ) To some extent ( ) Not adequate

32) **What are your suggestions** to improve the quality of disclosure regarding foreign exchange rate changes?

Disclosure of impact of effects of changes in foreign exchange rates on foreign currency monetary items at balance sheet date
Disclosure of the total amount of foreign currency assets and liabilities 

Disclosure of foreign currency liabilities and their matures

Disclosure of information of economic factors such as current deficits, inflation index, interest rates.

Preparing financial statements in foreign currency as supplementary information

33) Do you think that the Banking Sector requires separate accounting standard regarding foreign exchange rate change accounting and reporting?

( ) Yes ( ) To some extent ( ) No

FOREIGN CURRENCY TRANSACTION STATEMENT

34) Do you think that the companies provide information about their expenditure and earnings denominated in foreign currencies in the annual reports? ( ) Yes ( ) To some extent ( ) No

35) In case your answer is "Yes" or "To some extent": Do companies prepare separate statements of foreign currency transaction? ( ) Yes ( ) No

36) Do you think that the statement of foreign currency transaction is useful for decision making? ( ) Yes ( ) To some extent ( ) No

37) What are the items and information that should be disclosed in the statement of foreign currency transactions:

( ) Amounts of exports ( ) Amount of imports ( ) Foreign currency expenditure

( ) foreign currency loans ( ) others

38) In your opinion what are the reasons for not preparing this statement by companies?

( ) no legal and professional requirements ( ) not required by IASs ( ) confidentiality & sensitivity of information ( ) others

39) How information about foreign currency transaction should be disclosed in annual report of company?

( ) In separate statement ( ) In footnotes ( ) In directors report

( ) In corporate governance ( ) In social responsibility report ( ) others

40) According to you; what is the best accounting basis to prepare the statement of foreign currency transactions? ( ) Cash Basis ( ) Accrual Basis ( ) Mixed Basis.

Others

41) Do you think the statement of foreign currency transaction should be prepared as?

( ) Compulsory ( ) Voluntary
**International Accounting Standard No. 21: “The effects of changes in foreign exchange rates”**

42) Did you have access to the international accounting standard no. **21**?

( ) Yes ( ) No

43) Do you think that the requirements of IAS No.21 are **available** in national accounting pronouncements? ( ) Yes ( ) To some extent ( ) No

**44) Do you think that the IAS No.21 is suitable and applicable to India?**

( ) Yes ( ) To some extent ( ) No

45) How do you think the IAS No. 21 should be applied? ( ) Fully ( ) With some adjustments

46) Do you think that the **main difficulties of application** of IAS No.21 are?

- Conflicting with legal requirements ( )
- IAS No.21 only considering the needs of international companies ( )
- IAS No.21 ignoring domestic inflation problems ( )
- Absence of the legal requirements for preparing consolidated financial statements ( )
- Other.....................

47) Do you think that application of international accounting standards in India will create the following benefits: ?

<table>
<thead>
<tr>
<th>The benefits of application of IASs</th>
<th>(✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving international acceptance of the company financial statement</td>
<td></td>
</tr>
<tr>
<td>Improving accounting education and accounting practice</td>
<td></td>
</tr>
<tr>
<td>Encouraging foreign investments</td>
<td></td>
</tr>
<tr>
<td>Facilitating auditing and controlling of international companies</td>
<td></td>
</tr>
</tbody>
</table>

**48) FOREIGN EXCHANGE AND INFORMATION SYSTEM, PERFORMANCE AND DECISION MAKING**

Indicate the extent of your agreement that the foreign exchange rate changes have effects on:

<table>
<thead>
<tr>
<th>Aspects affected by foreign exchange rate changes</th>
<th>Agree</th>
<th>To some extent</th>
<th>Disagree</th>
</tr>
</thead>
</table>

10
1) **Accounting Information System (AIS):**

<table>
<thead>
<tr>
<th>Effects on quality of information &amp; measurement and disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>( ) ( ) ( )</td>
</tr>
</tbody>
</table>

2) **Performance of the company and its cash flows**

| ( ) ( ) ( ) |

3) **Effects on managerial decisions:**

<table>
<thead>
<tr>
<th>Finance &amp; investment and transfer pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>( ) ( ) ( )</td>
</tr>
</tbody>
</table>

4) **Performance evaluation & planning and controlling foreign operation**

| ( ) ( ) ( ) |

---

**FOREIGN EXCHANGE RATE FLUCTUATION AND CAPITAL BUDGETING**

49) Do the companies prepare the capital budget? ( ) Yes ( ) No

50) Do you think that the companies when they prepare their capital budget (or making capital expenditures decisions), fluctuation in foreign exchange rates taken into consideration?

   ( ) Yes ( ) To some extent ( ) No

51) How the capital budget is prepared? (In case of buying fixed assets in foreign currency) Please check (✓):

   - Preparing capital budget in national currency and using exchange rate prevailing at the time of setting budget ( )
   - Preparing capital budget in national currency and using forecast exchange rate ( )
   - Preparing capital budget in foreign currency ( )
   - Others: ________________________________________________________________

52) **FOREIGN EXCHANGE RISK MANAGEMENT:** Do you think that companies manage foreign exchange risk for the following reasons:

   ( ) to protect future cash flows
   ( ) to minimize foreign exchange losses
   ( ) to gain profits from fluctuations
   ( ) to reduce taxes ( ) others

---

**Thanking you**

**The researcher**