



**PROCEDURE AND REGULATIONS FOR
APPLYING EXCHANGE RATES WHEN PREPARING FINANCIAL STATUS REPORTS**

SCOPE: This document applies to all Stellenbosch University (SU) Faculty of Medicine and Health Sciences (FMHS) Project Accountant (PA) of the Research Grants Management Office (RGMO) preparing Financial Status Reports (FSR) for sponsored projects (grants), including subcontracts.

BACKGROUND AND REASON FOR THE REGULATION: Researchers across the SU FMHS engage sponsors and co-investigators as collaborators through sponsored programs. SU FMHS is committed to facilitating and enabling this engagement while providing responsible stewardship of university commitments and resources. PA's of the RGMO on a regular basis prepare FSR's for sponsored projects in the sponsors' currencies, e.g. Dollar, Euro or British Pounds. The exchange rates are very volatile *inter alia* because of investor risk-on or risk-off sentiments and local political uncertainty of South Africa. In the absence of a policy from the sponsor, it is important that the PA's uniformly and consistently apply a procedure to handle exchange rates and how to account for exchange rate profits or losses when preparing the FR's.

RESPONSIBILITIES

1. The PA of the RGMO must adhere to this regulation.
2. The PA's must apply this policy consistently to the relevant projects.
3. The PA's must check at SU year end (December) as well as the sponsor's year/project end that the exchange rates are reasonable and reliable.

PROCEDURE

1. Sub Awards (Reimbursements)

- 1.1 Create an invoice using the actual exchange rate as on the date of invoice.
- 1.2 Use the "Bank Buying Notes Rate"
- 1.3 Use the FNB site for the actual rates: <https://www.fnb.co.za/rates/ForeignExchangeRates.html>
- 1.4 FSR: Use the invoice exchange rate to convert the expenses.
- 1.5 Fix the exchange rate on the FSR.
- 1.6 Upon receipt of the foreign currency, usually a few weeks later and at a different rate as on the invoice, the actual Rand amount will appear in the General Ledger (GL).
- 1.7 Request a "Proof of Receipt" from the Debtors Department (Gaynor September gsep@sun.ac.za)
- 1.8 Place/Transfer the actual Rand amount in the period it relates to. This will give a difference in Rands that will reflect a profit or loss.
- 1.9 Clear this difference so that the FSR is zero for that specific period on the reconciliation. See a sample calculation below:

	Rand	<u>Dec 2016</u>	US\$
Exchange Rate	10		1
Income	0		0
Expenses	500		50
Income less Expenses	(500)		(50)

This is how the FSR will look when you invoice in January 2017

When the actual funding is received, update the December 2016 FSR:

	Rand	US\$
Income	450	50
Expenses	500	50
Income less Expenses	(50)	-
Exchange Rate Profit/Loss to Reconciliation	50	

- 1.10 In the event that the funder/sponsor takes longer than one (1) month to pay the invoice, reflect the invoice amount (account 5598) on the reconciliation.

2. Direct Awards

- 2.1 Use the average exchange rate of all the draw-downs for the project year.
- 2.2 Include the opening balance of the prior year only if the balance is positive (+)
- 2.3 Always refer the funder/sponsor's requirement or rule with regard to foreign exchange.

ACRONYMS AND DEFINITIONS

Co-PIs	Co-Principal Investigator(s) is a key person who has responsibilities similar to that of a PI on research projects. While the PI has ultimate responsibility for the conduct of a research project, the Co-PI is also obligated to ensure the project is conducted in compliance with applicable laws and regulations and institutional policy governing the conduct of sponsored research.
FSR	Financial Status Report
GL	General Ledger
PA	Project Accountant
PIs	Principal Investigator(s) is the primary individual responsible for the preparation, conduct, and administration of a research grant, cooperative agreement, training or public service project, contract, or other sponsored project in compliance with applicable laws and regulations and institutional policy governing the conduct of sponsored research.
RGMO	Research Grants Management Office