



# Billing and Collecting Awards in Foreign Currency

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When you get your money...



When you go to exchange it...



When the exchange rate was...



Favorable



Unfavorable

## ■ **Background**

- Some awards from Foreign Sponsors require the acceptance of foreign currency
- Fluctuations in currency exchange rates creates uncertainty regarding the final award amount
- Departments must monitor the actual amount received to avoid potential financial loss that may result from unfavorable exchange rates.

## Know Your Award and Your Risks

- Is the sponsor willing to make payments in U.S. currency?
  - Fluctuations in exchange rates can have significant effects on the payments for sponsored research projects. There is a potential loss of dollars involved in agreements containing payment terms in foreign currency.
- If not, is the sponsor willing to agree to advanced payments?
  - Advanced payments help to eliminate some of the risks associated with fluctuations in exchange rates. The conversion will only have to take place once upon receipt of up front payment.

# Know Your Award and Your Risks, cont'd



- If paid in foreign currency, how is the sponsor expecting gains or losses to be handled?
  - Defining the disposition of gains or losses may help mitigate the potential loss from conversion or allow the PI to identify unrestricted resources that will help to absorb losses, if necessary
  - Normally sponsor's do not expect to recover gains or cover losses
- If being paid through wire transfer, was the wire transfer fee built into the budget or did the sponsor indicate they would cover the cost for wire transfer?
  - If the wire transfer fee has not been included in the approved budget or otherwise stated in the terms and conditions, the department is responsible for covering those costs
  - Wire fees can be paid upfront by the remitter (sponsor). Normally, they are not paid upfront by the sponsor

- **Foreign currency**

- **Billing**

- EFM will bill based on expenses in U.S. Dollars from the closed ledger, but convert them into foreign currency using well-established currency converter
    - Revenue and Accounts Receivable will be setup for amount recorded on the ledger in U.S. Dollars
    - Invoice will be prepared in foreign currency based on the converted amount

- **Payments**

- Foreign currency received will be converted into U.S. Dollars upon deposit of payment
    - Depending on the conversion rate at the time of deposit, gains or losses can be realized

# Effects of Rate Changes

## ■ Case A - £100,000 Awarded

When:	Conversion Rate	Value in U.S. Dollars	Gain/(Loss)
Award received	1.1	\$110,000	
Invoice prepared	1.2	\$120,000	\$10,000
Payment Collected	1.3	\$130,000	\$20,000

Cumulative Effect in U.S. Dollars	
\$110,000	Original Value
<u>\$130,000</u>	Payment Collected
\$ 20,000	Cumulative Gain

## ■ Case B - ~~£~~100,000 Awarded

When:	Conversion Rate	Value in U.S. Dollars	Gain/(Loss)
Award received	0.90	\$90,000	
Invoice prepared	0.80	\$80,000	(\$10,000)
Payment Collected	0.50	\$50,000	(\$40,000)

Cumulative Effect in U.S. Dollars	
\$90,000	Original Value
<u>\$50,000</u>	Payment Collected
<b>(\$40,000)</b>	<b>Cumulative Loss</b>

- Departments must monitor the actual amount received to avoid potential financial loss that may result from unfavorable exchange rates.



**QUESTIONS**