

Direct and Indirect Quotation for Exchange Rates



HELP.CAMENG

Release 4.6C



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Direct and Indirect Quotation for Exchange Rates

Purpose

This component enables you to manage exchange rates for each currency pair using direct or indirect quotation. The type of quotation used is dependent on the market standard. You can define the type of quotation per client and currency pair (business transaction).

Indirect quotation has not been required until now, because direct quotation was usually used for exchange rates. With the start of the dual currency phase of the European Monetary Union (EMU), indirect quotation is now used within Europe for exchange rates with the euro. Indirect quotation is also becoming more widely accepted internationally. Until now, there were many limitations involved in processing indirect exchange rates.

Direct quotation is where the cost of one unit of foreign currency is given in units of local currency, whereas indirect quotation is where the cost of one unit of local currency is given in units of foreign currency.



Your local currency is EUR:

- Direct exchange rate: 1USD = 0.92819 EUR
- Indirect exchange rate: 1EUR = 1.08238 USD

The table for *Maintaining exchange rates* (TCURR) has been redesigned so that you can enter an exchange rate with either direct or indirect quotation. (Implementation Guide (IMG): *General Settings* → *Currencies* → *Enter exchange rates*).

An extra column is provided for entering indirect exchange rates.

You have used direct quotation to define exchange rates up until now; the exchange rates are specified with direct quotation for the to-currency (local currency/reference currency).

You had to maintain exchange rates, such as the euro, in the table for *Exchange rate types for currency translation* (TCURV) so that indirect quotation could be used for calculations. The fields *Reference currency left* and *EMU conversion* were selected for these exchange rate types. When entering exchange rates manually in the applications, you still had to use direct quotation to enter the exchange rates. The document display shows the direct exchange rate.

However, this concept cannot be extended to general exchange rate types.

Example

Previously:

Your local currency is EUR:

Exchange rate type	Currency (from)	Currency (to)	Valid from	Exchange rate	Translation ratio
M	USD	EUR	01.01.1999	92.81993	100:1
EURO	EUR	USD	01.01.1999	1.08238	1:1

Direct and Indirect Quotation for Exchange Rates

You can reduce the likelihood of errors being made by defining a prefix for both forms of quotation, since the user is then forced to think about the correct form.

You can maintain your own settings in the Implementation Guide (IMG): *General Settings → Currencies → Set Indicators for Direct/Indirect Quotation Exchange Rates*.

- Direct or indirect quotation can be maintained as the standard form of quotation for a certain currency pair. You use:
 - '1' for direct quotation
 - '2' for indirect quotation

If a standard form of quotation has not been specified for a currency pair, the system automatically uses direct quotation.

You make the settings in the IMG: *General Settings → Currencies → Set Standard for Direct/Indirect Quotation per Currency Pair*.
- If you do not make any settings of your own, the system uses the standard settings.
- Indirect quotation can be used in the Industry Business Solutions (as of Release 4.5B/4.6A), interfaces (BAPI, IDOC, user exits, etc.), and New Dimension products.
- You must adapt your own batch inputs to the new exchange rates. The batch inputs provided by SAP have already been adapted.
- Indirect exchange rates are stored with a minus sign (-) at database level.
- Indirect quotation is delivered with the standard system as of Release 4.6A. You can use the extended function, or you can continue to work with direct quotation only.

Constraints