HOUSEBLEND

HOUSEBLEND / RESEARCH & PRACTICAL GUIDANCE

NetSuite Base Currency vs Functional Currency Test

> Make NetSuite work better for your finance and operations teams with Houseblend. We help design, implement, integrate and improve ERP systems, with practical support for the people who use them every day.

Published by Houseblend · 2026-11-18 · netsuite base currency · functional currency · ias 21 · asc 830 · netsuite oneworld · subsidiary setup · multi-currency · currency translation · cumulative translation adjustment

Original article: https://www.houseblend.io/articles/functional-currency-test-netsuite-base-currency



In this article

1. Executive Summary
2. Introduction and Background
3. Definitions and Governing Standards
4. Key Determinations: The Indicator Test
5. Worked Cases by Entity Type
6. What NetSuite Fixes at Subsidiary Creation
7. Implementation Considerations and Process Changes
8. Data Analysis and Evidence
9. Implications and Future Directions
10. Frequently Asked Questions (FAQs)
11. Conclusion

Executive Summary

A NetSuite OneWorld subsidiary's **base currency** is, in Oracle's own words, the company's "functional currency" (docs.oracle.com), and it is the one currency setting that is hard to reverse. Oracle's help pages differ in emphasis: one states that a subsidiary's base currency cannot be changed after the record is first saved (docs.oracle.com), and that once any saved record carries a currency amount or currency link the change is blocked unless all such records are deleted first (docs.oracle.com). Because the pages are not fully aligned on whether the first save or the first currency-linked record triggers the lock, the safe assumption is the stricter one, and the behaviour should be tested in a sandbox. The accounting question that feeds the field, which currency is the entity's functional currency, therefore has to be answered before the subsidiary record is saved, not after the first invoice posts.

Both major frameworks define the functional currency as the currency of the entity's primary economic environment: IAS 21 (International Financial Reporting Standards, IFRS) and ASC 830 (US Generally Accepted Accounting Principles, GAAP) (viewpoint.pwc.com). They differ on weighting. IAS 21 tells management to give priority to the primary indicators (sales prices and costs) before the secondary ones (www.ifrs.org), whereas US GAAP "does not weigh or rank" its six indicators (viewpoint.pwc.com). Each legal entity decides separately, and the group has no functional currency of its own (www.bdo.com.au).

Mixed signals are normal rather than exceptional. When indicators conflict, IAS 21 asks management to use judgement to select the currency that "most faithfully represents" the economic effects of the underlying transactions (www.ifrs.org), and ASC 830 practice treats judgement as paramount provided the facts do not contradict it (kpmg.com). A holding company with no operations can reasonably reach two conclusions, as BDO's worked example shows (www.bdo.com.au), which is why a written determination memo and auditor agreement belong in the project plan.

The consequences of a wrong answer are asymmetric. A change in functional currency is accounted for prospectively from the date of change (www.ifrs.org) (viewpoint.pwc.com), but NetSuite's documented in-place route for changing a base currency exists only while the subsidiary has no transactions, unless all currency-linked records are first deleted (docs.oracle.com). After that, the practical remedy is a replacement subsidiary

and a data migration. This report supplies an indicator-by-indicator worksheet (Table 1), four labelled hypothetical entity cases (Table 2), a map of NetSuite remediation routes (Table 3) and a pre-creation checklist. As of November 2026, the 2026.2 release notes reviewed show no change to the base currency lock.

Introduction and Background

Controllers adding a first foreign subsidiary, an acquired entity or a new sales entity to NetSuite OneWorld face a sequencing problem. The subsidiary form asks for a base currency on day one. The accounting standards ask for a judgement that can take weeks of evidence gathering and an auditor conversation. If the form is completed first and the judgement later, the entity may go live in the wrong currency.

This report treats the lock as a **configuration sequencing decision**, not a platform defect. Oracle documents one rule consistently: a base currency must be chosen when each additional subsidiary record is created (docs.oracle.com). Oracle also advises that the company's accountants or auditors should know the relevant accounting principles (docs.oracle.com). Other ERP vendors document comparable behaviour: Microsoft's Dynamics 365 Finance documentation says the accounting or reporting currency cannot be changed once transactions are posted (learn.microsoft.com), and an SAP knowledge base article says currency types cannot be added or changed once postings exist (userapps.support.sap.com).

Scope and method

The report covers the determination test under IAS 21 and ASC 830, how the answer maps to NetSuite OneWorld, and what a reassessment costs. It does not cover hyperinflationary economies or hedge accounting. IAS 21 wording is cited from the 2026 issued edition on ifrs.org, because the 2025 edition page requires a subscription sign-in. ASC 830 Codification text is paywalled, so ASC wording is cited as reproduced in PwC, KPMG and EY technical guides. Oracle's help center carries no publication dates, so NetSuite statements are described "as of November 2026", when the pages were read.

Who decides what

Management determines the functional currency; a KPMG Malta factsheet says the responsibility lies with management, with auditors reviewing it (www.mondaq.com). The auditor challenges the evidence. The NetSuite administrator or implementation partner then records the result in the subsidiary record, where it becomes effectively permanent. An implementation partner can help with sequencing but does not replace the accountants' judgement.

Definitions and Governing Standards

Functional, presentation and transaction currency

IAS 21 defines the **functional currency** as the currency of the primary economic environment in which the entity operates (www.ifrs.org) and the **presentation currency** as the currency in which the financial statements are presented (www.ifrs.org). The two are independent. US GAAP literature generally says "reporting currency" for the presentation concept. A **transaction currency** is any currency other than the

functional currency in which a particular invoice, payable or loan is denominated. In NetSuite terms, the functional currency is the subsidiary base currency, OneWorld subsidiaries can have base currencies that differ from the parent and from each other, and every other currency on a customer, vendor or bank account is a transaction currency.

Each entity decides separately; the group has none

IAS 21 requires each entity, whether standalone or with foreign operations, to determine its own functional currency, and the group as a whole has none. PwC's IFRS guidance says the determination is an entity-by-entity question (viewpoint.pwc.com), and group statements instead translate each entity's results and position into the group's presentation currency. Grant Thornton notes that an entity can have more than one functional currency once foreign operations are included (www.grantthornton.com.au).

IFRS, US GAAP and ASPE compared

Canadian readers may also meet Accounting Standards for Private Enterprises (ASPE). The IFRS Foundation's Canada profile says Canadian GAAP for all publicly accountable enterprises is IFRS Accounting Standards (www.ifrs.org), while private enterprises can choose separately developed standards (www.frascanada.ca). ASPE Section 1651 uses a different test: BDO Canada says that a change in translation method is accounted for prospectively (www.bdo.ca) and that paragraph 1651.10 sets out the matters used to classify a foreign operation as integrated or self-sustaining (www.bdo.ca), and a BDO comparison notes that IFRS gives specific functional currency guidance whereas ASPE does not (www.bdo.ca). An ASPE reporter should confirm with its auditor how that classification maps to a NetSuite base currency before the subsidiary is created.

The IFRS test is widely applicable. The IFRS Foundation reports complete profiles for 170 jurisdictions (www.ifrs.org), of which 149 require IFRS Accounting Standards for all or most domestic publicly accountable entities (www.ifrs.org), about 88% of those profiled (a calculation from the cited counts).

Key Determinations: The Indicator Test

IAS 21 indicators and hierarchy

IAS 21 paragraph 9 says the primary economic environment is normally where the entity primarily generates and expends cash, and names three primary indicators: the currency that mainly influences sales prices, the currency of the country whose competitive forces and regulations set them, and the currency that mainly influences labour, material and other costs. Paragraph 10 adds two secondary factors (financing currency and the currency in which operating receipts are retained), and paragraph 11 adds foreign-operation factors (extension of the reporting entity, proportion of intragroup transactions, remittability of cash flows and debt service). Paragraph 12 supplies the hierarchy: management gives priority to the primary indicators (www.ifrs.org), which BDO summarises as more importance for paragraph 9 than paragraph 10 (www.bdo.com.au). The IFRS Interpretations Committee added in 2010 that paragraph 9 should not be read in isolation (www.ifrs.org).

ASC 830-10-55-5 indicators

US GAAP lists six factors, which PwC reproduces and says should be considered both individually and collectively (viewpoint.pwc.com): cash flow, sales price, sales market, expense, financing, and intra-entity transactions and arrangements. There is no formal ranking. KPMG's handbook says no factor is more significant than the others (kpmg.com), and EY agrees there is no hierarchy among the indicators (www.ey.com), although PwC's experience-based view is that the sales price, sales market and expense indicators are the most important. KPMG adds that the FASB deliberately provided no unequivocal criteria (kpmg.com) and that long-term considerations outweigh short-term ones (kpmg.com).

The worksheet

Table 1 consolidates both tests. For each indicator, record the evidence, then mark which currency it points to for the entity being assessed: its local currency, the parent's currency, or a third currency.

Indicator	IAS 21 test	ASC 830-10-55-5 factor (as reproduced by PwC)	Evidence to collect	Points to local currency when...
Sales price	Para 9(a): currency that "mainly influences sales prices for goods and services" (www.ifrs.org), or of the country whose competitive forces set them	Prices "determined more by local competition or local government regulation" (viewpoint.pwc.com)	Price lists, contracts, invoice currency by customer	Local competition sets prices
Sales market	Folded into para 9(a) (country whose competitive forces apply)	"There is an active local sales market for the foreign entity" (viewpoint.pwc.com)	Revenue by customer location, export share	Revenue is mostly local
Costs	Para 9(b): currency that mainly influences "labour, material and other costs" (www.ifrs.org)	"Labor, materials, and other costs for the foreign entity" are primarily local (viewpoint.pwc.com)	Payroll, supplier invoice currency, leases, COGS mix	Most cost is local, even if some inputs are imported
Cash flow	Where the entity "primarily generates and expends cash"; para 11 remittance test (www.ifrs.org)	Cash flows "readily available for remittance to the parent entity" point to the parent (viewpoint.pwc.com)	Bank currencies, cash sweeps, dividend patterns	Cash is mainly local and not routinely swept
Financing	Para 10(a): currency in which financing funds are generated (www.ifrs.org); para 11 debt service	Financing "primarily denominated in foreign currency" and serviceable locally (viewpoint.pwc.com)	Loan agreements, equity injections, who can change intercompany loan terms	External debt is local and serviceable from local cash
Retained receipts	Para 10(b): currency in which operating receipts are usually retained	Considered within the cash flow and financing factors	Where working capital is held	Receipts stay in local currency
Autonomy / extension	Para 11(a): activities carried out as "an extension" of the reporting entity (www.ifrs.org)	High intra-entity volume and "extensive interrelationship" point to the parent (viewpoint.pwc.com)	Who sets prices, hires and approves spend; delegation of authority	Local management has real authority

Indicator	IAS 21 test	ASC 830-10-55-5 factor (as reproduced by PwC)	Evidence to collect	Points to local currency when...
Intra-group volume	Para 11(b): high or low proportion of transactions with the reporting entity (www.ifrs.org)	A shell or holding vehicle may take the parent's currency (viewpoint.pwc.com)	Intercompany share of revenue and cost; transfer pricing policy	Intercompany is a low proportion of activity

Table 1 is a scoring aid, not a formula. Under IFRS the first three rows carry priority, so a split between them is the real signal of a mixed case, while the lower rows can only support a conclusion. Under US GAAP the rows carry no formal weight, so the memo should explain why particular rows are decisive, which is what EY recommends when it says an entity should clearly document how it reached the decision (www.ey.com). A practical convention is to score each row "local", "parent", "third currency" or "not applicable", then write one paragraph of evidence per row and one on the conclusion.

Handling mixed signals

When the indicators are mixed and the answer is not obvious, paragraph 12 requires judgement toward the currency that most faithfully represents the economic effects of the underlying transactions (www.ifrs.org). PwC's Swiss treasury centre illustration concludes "Overall, the evidence is mixed" and falls back on judgement, while a second illustration shows that when the primary indicators are clear the secondary ones need not be considered. EY observes that as facts become more varied and complex, the determination becomes increasingly difficult (www.ey.com). KPMG states the US position that judgement is essential and paramount, provided it is not contradicted by the facts (kpmg.com), and that facts and circumstances, not the parent's control, are the basis (kpmg.com). BDO says the factors supporting the conclusion should be noted as a significant judgement (www.bdo.com.au), and the choice cannot be made for reporting convenience.

Worked Cases by Entity Type

The four cases below are invented for this report and each is labelled a Hypothetical Example. They show how the indicators interact; real facts change the answer.

Case A: Canadian distributor selling in CAD, buying in USD (Hypothetical Example)

A wholly owned Canadian subsidiary of a US parent sells to Canadian retailers in Canadian dollars (CAD), pays staff and rent in CAD, and buys about 70% of its inventory from US suppliers in US dollars (USD). Sales prices point to CAD. Costs are split. Receipts are retained in CAD and a CAD bank line funds working capital. Because paragraph 12 gives priority to sales prices and the secondary indicators agree, CAD is the more defensible functional currency, provided the memo explains why USD purchasing does not outweigh local pricing. PwC notes the functional currency is often that of the country where the operation is located.

The NetSuite consequence is that USD payables are transaction-currency balances. Oracle says unrealized gain or loss applies to open customer and vendor transactions (docs.oracle.com). To size the exposure, the Bank of Canada's annual average USD/CAD rate rose from 1.2535 in 2021 to 1.3978 in 2025 (www.bankofcanada.ca), an increase of 11.5% (calculated from the cited table). This is an illustration of rate

drift, not a profit-or-loss estimate, because a single open payable would not stay unremeasured for four years. A hypothetical USD 1,000,000 balance is worth CAD 144,300 more at the 2025 average than at the 2021 average; under a CAD functional currency, rate moves on open payables run through profit or loss in the period they occur.

Case B: EU subsidiary invoicing in USD to US customers (Hypothetical Example)

A German subsidiary employs 40 engineers paid in euros (EUR) and invoices US customers in USD under contracts priced against US competitors. Sales prices point to USD and labour points to EUR. Both are primary indicators, so the evidence is mixed at the top of the hierarchy and the documented answer is judgement. If most cost is labour and USD invoicing is a customer convenience, EUR may be defensible; if pricing is set by a global USD market and costs are dominated by USD cloud and contractor spend, USD may be. The dominant indicator is whichever of price or cost the evidence shows to drive margins, and the memo should say which.

The NetSuite sequencing point is that EUR versus USD changes every opening balance, every consolidated exchange rate and the CTA profile, so it must be settled before the subsidiary is saved. For scale, the Bank of Canada's annual average euro rate moved from 1.4828 Canadian dollars in 2021 to 1.3696 in 2022 and 1.5782 in 2025 (www.bankofcanada.ca): a fall of 7.6% followed by a cumulative 6.4% rise over 2021 (calculated from the cited table).

Case C: Sales-support entity with cost-plus intercompany revenue (Hypothetical Example)

A UK subsidiary supports the parent's European sales effort, employs 12 people paid in pounds sterling (GBP), and is reimbursed by the US parent on a cost-plus basis denominated in USD. All revenue is intercompany, a high proportion of activity under paragraph 11(b). PwC's US GAAP guide says a foreign sales office is generally not a distinct and separable operation, because it is typically responsible only for marketing and selling (viewpoint.pwc.com), and EY's illustration of a manufacturer that becomes a foreign sales and marketing office is an example of a change in facts that alters the answer (www.ey.com). The financing indicator is weak: PwC's Britannia illustration gives little weight to an intercompany loan's currency because its denomination can easily be changed (viewpoint.pwc.com).

The likely conclusion is USD (the parent's currency) if the reimbursement and the parent's control of pricing and spending dominate, though GBP is credible if the cost-plus agreement is expressed in GBP and local management controls costs. The dominant indicator is the autonomy and intra-entity test. In NetSuite, an item record transfer price is expressed in the currency of the root parent subsidiary (docs.oracle.com), so the intercompany pricing currency should be settled with the base currency.

Case D: Holding company that only raises financing (Hypothetical Example)

A holding company in a financing hub has no revenue or operating costs, borrows in EUR and lends to operating subsidiaries. IAS 21 offers no safe harbour: the 2010 Committee decision said the determination for an investment holding company, like any other entity, requires the exercise of judgement (www.ifrs.org). BDO's worked example shows two defensible answers: the parent's own financing currency, or its subsidiary's currency if the parent acts as an extension of the subsidiary (www.bdo.com.au), noting that paragraph 11 is

written for foreign operations and applies to a parent only by analogy. PwC's cash-box example calls the entity "simply a conduit" and lands on the parent's currency (viewpoint.pwc.com). Under US GAAP, PwC says a holding or shell company's functional currency is generally that of its immediate parent (viewpoint.pwc.com), but that there is no explicit guidance for a top-level holding company (viewpoint.pwc.com).

The dominant indicator is the financing and extension analysis. If the holding company is the NetSuite root parent, a second constraint applies: Oracle recommends the elimination subsidiary use the same base currency as the parent (docs.oracle.com), so the holding decision cascades.

Summary of the four cases

Table 2 condenses the cases. It is a teaching device, and the conclusions are illustrative.

Entity (Hypothetical Example)	Primary indicators	Secondary / foreign-operation indicators	Likely functional currency	Dominant indicator
A. Canadian distributor	Prices CAD; labour and rent CAD; inventory USD	Receipts and bank line in CAD	**CAD** (mixed on costs)	Sales price plus local receipts
B. EU software subsidiary	Prices USD; labour EUR	Financing mixed; cash in both	**Judgement: EUR or USD**	Whichever of price or cost drives margin
C. UK sales-support, cost-plus in USD	All revenue intercompany; costs GBP	Extension of parent; loan currency easily changed	**USD or GBP, USD more likely**	Autonomy and intra-entity test
D. Financing holding company	No revenue or operating cost	Debt in EUR; conduit for parent	**Judgement: own financing currency or parent/subsidiary currency**	Financing and extension analysis

Cases B and D carry the highest memo and audit effort because the standards leave the result to judgement. A pragmatic decision tree for any entity: (1) if it sells to third parties with its own cost base, run the primary indicators first; (2) if it is a conduit or holding vehicle, test the extension and financing indicators, document the alternatives and agree the conclusion with the auditor; (3) if primary indicators split, apply judgement and write down why the chosen indicator dominates.

What NetSuite Fixes at Subsidiary Creation

The base currency lock, as documented

For OneWorld, the country edition sets the root parent's initial base currency, and before any transactions are saved a different base currency can be chosen for that subsidiary (docs.oracle.com). If any user has saved a record that includes a currency amount or links to a currency record, the base currency cannot be changed, though it may be possible if all such records are first deleted (docs.oracle.com). A dimmed Currency field means another action has blocked the change (docs.oracle.com).

Three points are not specified in the pages read. First, the help does not list which record types count as "a currency amount or link", so the safe assumption is that any saved record tied to a currency may count. Second, the pages state the rule in general terms rather than separately for the root parent and child subsidiaries; the subsidiary with ID 1 cannot be deleted (docs.oracle.com), so the root cannot use a delete-and-recreate route. Third, the pages do not say how long the first-save window lasts in practice. These gaps should be tested in a sandbox account before a go-live decision rests on them.

What Oracle documents as the remedy

For a subsidiary with no transactions, Oracle says the base currency can be changed (docs.oracle.com), and for non-editable fields the instruction is to delete the record and create a new one. Once postings exist, the documented in-place options in the pages reviewed run out; an Oracle Community thread (anecdotal) reports the same understanding, that there is "no way to change it" (community.oracle.com). The practical remedy implied is a replacement subsidiary with the corrected base currency and a migration of balances and open items; that is an inference from the documented constraints, not an Oracle-published procedure. Dynamics 365 Finance documentation takes a parallel position for its own product: the only way to change accounting and reporting currencies is to create a new legal entity (learn.microsoft.com).

What you can still change

- **Foreign currencies and rates.** Each base currency has its own set of exchange rates to foreign currencies, so the currency list should be planned with the base currency.
- **Alternate-currency reporting.** Multi-Book Accounting lets secondary books use a different chart of accounts, currency, accounting rules, or a combination (docs.oracle.com), leaving the primary base currency unchanged.
- **Reporting hierarchy.** Moving a subsidiary is possible but may irreversibly recalculate consolidated and budget exchange rates (docs.oracle.com), so a sandbox rehearsal is advisable.

Translation, revaluation and intercompany consequences

The base currency choice determines two mechanisms. **Revaluation** applies to foreign-currency balances inside a subsidiary, such as open customer and vendor transactions. **Consolidation translation** moves each subsidiary into its parent's base currency using consolidated exchange rates for each accounting period (docs.oracle.com); the cumulative difference between rate types is the CTA, which equals the amount required to balance the consolidated balance sheet (docs.oracle.com). US GAAP guidance describes the same split: translation adjustments accumulate in other comprehensive income as the cumulative translation adjustment (kpmg.com). A wrong base currency therefore moves gains and losses between profit or loss and equity. Intercompany flows between subsidiaries with different base currencies are translated, and Intercompany Framework preferences set the default currency and rate subsidiaries use with each other.

Remediation routes by situation

Table 3 lists the routes that follow from the documentation reviewed.

Situation	Route	Documented basis and caveats
Subsidiary not yet saved	Set the correct base currency on the form	A base currency must be chosen when each subsidiary record is created
Root parent, no transactions saved	Edit the Currency field on the root subsidiary	Before saving any transactions a different base currency can be chosen
Child subsidiary saved, no transactions	Edit the Currency field while no currency-linked records are saved; if the field is dimmed, test in a sandbox before deleting and recreating the subsidiary	Oracle's pages differ on the first-save point, so confirm the behaviour in a sandbox first
Records already saved with currency amounts	Delete all such records if feasible, then change the base currency	Oracle: "You may be able to change the base currency if you first delete all such records"; test in a sandbox first
Live subsidiary needs a second reporting currency	Add a secondary accounting book	Secondary books can use a different currency; the primary base currency is unchanged
Live subsidiary has the wrong functional currency	Create a replacement subsidiary, migrate balances and open items, apply the accounting change prospectively	Accounting is prospective; the subsidiary mechanics are an inference from the lock. Delivered in-house or with an implementation partner

Table 3 shows the lock as a sequencing rule: the earlier the determination is finished, the cheaper the route. The last row is the costly one, because the new subsidiary needs fresh master data, opening balances, intercompany relationships and integrations, while the old subsidiary's history remains in the old record.

NetSuite 2026.x currency changes

Oracle's 2026.2 release notes, as read in November 2026, describe 2026.2 as one of two scheduled version upgrades delivered each year (docs.oracle.com). In the pages reviewed, no change to the base currency lock, revaluation, consolidated exchange rates, CTA or Multi-Book currency handling was found. Currency-adjacent items are limited to a Banxico exchange-rate import for subsidiaries that use the Mexican peso as the base currency (docs.oracle.com), and a Run Intercompany Eliminations task in Intelligent Close Manager (docs.oracle.com). The 2026.1 notes could not be retrieved as a web page, so changes in that release are unknown rather than confirmed absent.

Implementation Considerations and Process Changes

Reassessment triggers

IAS 21 paragraph 13 says that once determined the functional currency is not changed unless there is a change in the underlying transactions, events and conditions (www.ifrs.org), and paragraph 36 gives a change in the currency that mainly influences sales prices as an example (www.ifrs.org). IAS 21 does not require an annual reassessment, so triggers are event-driven: PwC says a treasury centre's functional currency should be reassessed periodically, particularly when location, activities or function change (viewpoint.pwc.com). Under US GAAP, consistency is required unless significant changes in economic facts and circumstances indicate

clearly that the functional currency has changed (viewpoint.pwc.com), and KPMG advises against changing it for temporary changes (kpmg.com). A KPMG Malta factsheet likewise says it does not change unless the underlying nature of the transactions changes (www.mondaq.com).

Typical triggers for a NetSuite-using group: contracts that reprice an entity's sales in a different currency, procurement moving from local to USD suppliers, a restructuring that turns a full-cost subsidiary into a sales-support entity, a refinancing in a new currency, or an acquisition that changes who controls pricing.

Accounting for a change, and migration

KPMG notes that the change is reported as of the date it occurs (kpmg.com). A change is applied prospectively: IAS 21 requires the translation procedures of the new functional currency to apply prospectively (www.ifrs.org), and PwC adds that all items are translated at the exchange rate on the date of change, with non-monetary amounts becoming historical cost (viewpoint.pwc.com). US GAAP is similar: previously issued financial statements are not restated (viewpoint.pwc.com), prior-period translation adjustments stay in equity on a change to the reporting currency (www.ey.com), and the rate on the date of change becomes the historical rate for later remeasurement (kpmg.com). EY's example shows a difference on carrying values reported as a debit in the CTA (www.ey.com).

Because the accounting change is prospective while the NetSuite base currency is not editable, a mid-life change creates two workstreams. The accounting workstream sets a date of change and translates all items at that day's rate. The system workstream creates a replacement subsidiary in the new base currency, loads translated opening balances and open items, redirects integrations and inactivates the old record. Rehearse the load in a sandbox, reconcile translated trial balances and obtain auditor sign-off on opening balances.

Pre-creation checklist

- **Determination memo.** One page per entity: facts for each Table 1 row, the conclusion, the dominant indicator and the alternatives considered.
- **Auditor agreement.** Confirm the conclusion and how the judgement will be disclosed.
- **Base currency decision recorded.** Capture it in the subsidiary request form with approver and date.
- **Currency list.** List every transaction currency for customers, vendors and banks, since each base currency needs rates to its foreign currencies.
- **Intercompany pricing currency.** Agree the currency of intercompany invoices, cost-plus charges and loans.
- **Elimination subsidiary.** Confirm its currency matches the parent.
- **Opening-balance load plan.** Decide whether balances load in base or transaction currency, and save no currency-linked record before sign-off.
- **Sandbox test.** Create the subsidiary in a sandbox and test whether the Currency field dims after each class of record is saved.
- **Second reporting currency.** If needed, plan a secondary book, not a second base currency.
- **Reassessment owner.** Assign who monitors the trigger events above.

When a partner or the auditors should review

Involve the auditors before the subsidiary is saved when the entity is a holding or financing vehicle, when primary indicators split, when intercompany revenue is a high proportion of activity, or when a prior functional currency is being changed. Involve a NetSuite implementation partner when the group will run more than one base currency, when a replacement subsidiary is needed, or when integrations post directly to subsidiaries. This report is not accounting or legal advice, and no accountant has reviewed it.

Data Analysis and Evidence

The evidence for this topic is mostly normative text rather than market statistics. The quantitative items that can be sourced from originators fall into four groups.

Exchange-rate movement. The Bank of Canada publishes annual average rates on the last business day of the year (www.bankofcanada.ca) and notes they are indicative only (www.bankofcanada.ca). USD/CAD averaged 1.2535 (2021), 1.3013 (2022), 1.3497 (2023), 1.3698 (2024) and 1.3978 (2025) (www.bankofcanada.ca), with year-on-year changes of 3.8%, 3.7%, 1.5% and 2.0% and a cumulative 11.5% (calculations from the cited table). The euro averaged 1.4828, 1.3696, 1.4597, 1.4818 and 1.5782 Canadian dollars, with changes of minus 7.6%, plus 6.6%, plus 1.5% and plus 6.5%. Under a CAD functional currency, a USD 1,000,000 payable is worth CAD 144,300 more at the 2025 average than at the 2021 average, which illustrates rate drift rather than a profit-or-loss estimate; rate moves on open payables run through profit or loss when they occur; under a USD functional currency the same payable creates no remeasurement difference and the exposure shifts to the CAD balances (an analyst illustration).

Standards coverage. The IFRS Foundation's profile counts (170 jurisdictions, 149 requiring IFRS for publicly accountable entities, cited above) show the IFRS test is the majority case. US GAAP is a separate framework, so a group with US and non-US entities commonly runs both tests, which is why Table 1 shows them side by side.

Exposure scale. PwC's 2025 Global Treasury Survey found FX risk was cited as the most critical economic exposure by 83% of respondents (www.pwc.com); the survey drew on 350 treasurers (www.pwc.com) and is not specific to the mid-market. BEA reports worldwide employment by US multinational enterprises of 43.9 million workers in 2023 (preliminary) (www.bea.gov) and that US parents accounted for 21.9 percent of total private industry employment (www.bea.gov), a reminder that multi-currency structures are common among established groups.

Platform scale. NetSuite's own pages state that it supports over 44,000 customers in 220 countries and territories (www.netsuite.com) and more than 190 currencies (www.netsuite.com); these are undated vendor statements, not independent measurements.

Calculation: remeasurement versus translation. The choice of functional currency decides which balances create earnings volatility and which create equity movements. Balances not in the functional currency are remeasured through profit or loss, while the entity's net assets are translated into the parent's currency with differences in equity, as the Deloitte guide describes (www2.deloitte.com); entities in highly inflationary environments are an exception that this report does not cover (www2.deloitte.com).

Implications and Future Directions

For project plans. The determination is a dependency of subsidiary creation and belongs on the critical path of any acquisition integration, new-entity launch or region expansion. Discovering a mismatch after go-live costs a replacement subsidiary, a migration and the audit effort around prospective application.

For acquisitions. An acquired entity arrives with a legacy ledger currency that may not match its functional currency. Because facts and circumstances, not the parent's control, are the basis (kpmg.com), a fresh determination is warranted at acquisition. When two subsidiaries with different base currencies are consolidated into one, one currency must be chosen and the other entity's activity migrated.

For tooling. The 2026.2 notes show continued investment in the close process, including an intercompany elimination task, but no change to the base currency lock in the pages reviewed. Re-check release notes before each major go-live, since help pages are undated.

For documentation. An incorrect functional currency can have a significant impact on reported results, and the memo is the evidence that survives staff turnover.

Limits of this report. The Oracle pages read do not list the record types that count as currency records, do not describe root-versus-child differences and carry no dates. ASC 830 Codification text was not accessed directly, and Deloitte's online Roadmap was behind a sign-in wall. The hypothetical cases are illustrations only.

Frequently Asked Questions (FAQs)

What is the functional currency, and how does it differ from the presentation and reporting currency?

The functional currency is that of the entity's primary economic environment; the presentation currency (reporting currency in much US GAAP literature) is the one in which statements are presented. In NetSuite the functional currency maps to the subsidiary base currency.

How do you determine the functional currency of a subsidiary under IAS 21?

Work through paragraph 9 first (sales price, competitive forces, costs), then paragraphs 10 and 11 as supporting evidence, and use judgement when the evidence is mixed. Record the reasoning as a significant judgement.

What are the ASC 830 functional currency indicators?

Cash flow, sales price, sales market, expense, financing, and intra-entity transactions and arrangements, considered both individually and collectively and not ranked (see the worksheet above).

Why can't the NetSuite subsidiary base currency be changed?

Oracle states that saved records with currency amounts or links block the change, and one Oracle page says the base currency cannot be changed after the subsidiary's first save, while another allows a different base currency before any transactions are saved. It is a documented design rule, not an error.

How do I set up the base currency and multiple currencies in OneWorld?

Choose a base currency for each subsidiary when creating it; a child can match its parent or differ. Then maintain exchange rates for each base currency, update consolidated rates each period, and use a secondary book for a second reporting currency.

Can the functional currency be changed later?

Only when the underlying facts change, and prospectively. In NetSuite that means a replacement subsidiary once records exist.

How do revaluation and translation work in NetSuite?

Revaluation computes unrealized gains and losses on open foreign-currency balances; translation uses consolidated exchange rates between a subsidiary and its parent (see the translation discussion above).

Conclusion

The functional currency test is the accounting question upstream of a NetSuite setting that cannot be flipped after use. IAS 21 and ASC 830 both anchor on the primary economic environment, differ on whether indicators are ranked, and leave mixed cases to documented judgement. One Oracle help page says a subsidiary's base currency is fixed from the first save, another blocks the change once saved records carry currency amounts or links, though it may be possible if all such records are first deleted.

The sequence that follows is simple: gather evidence per entity with the Table 1 worksheet, write the determination memo, obtain auditor agreement, settle the currency list and intercompany pricing currency, test the subsidiary in a sandbox, and only then save the production record. The entity type matters: a distributor, a full-cost subsidiary, a sales-support entity and a holding company can each reach a different answer, and a holding company may have two defensible ones. Where the answer later changes because the business changes, the accounting is prospective while the system fix is a replacement subsidiary and migration. Treating the base currency as a sequencing decision, rather than a field to fix later, is what keeps that outcome rare.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/chapter_N1395057.html
2. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N269257.html
3. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N1397082.html
4. https://viewpoint.pwc.com/dt/us/en/pwc/accounting_guides/foreign_currency/foreign_currency__2_US/chapter_3_determinin_US/32_determining_funct_US.html
5. https://www.ifrs.org/content/dam/ifrs/publications/html-standards/english/2026/issued/ias21.html
6. https://www.bdo.com.au/en-au/blogs/corporate-reporting/getting-your-functional-currency-right
7. https://kpmg.com/kpmg-us/content/dam/kpmg/frv/pdf/2026/foreign-currency.pdf

8. https://viewpoint.pwc.com/dt/us/en/pwc/accounting_guides/foreign_currency/foreign_currency__2_US/chapter_3_determinin_US/33_change_in_functio_US.html
9. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/article_162152170370.html
10. https://learn.microsoft.com/en-us/troubleshoot/dynamics-365/finance/general-ledger/add-change-accounting-reporting-currency
11. https://userapps.support.sap.com/sap/support/knowledge/en/3503779
12. https://www.mondaq.com/financial-services/1114780/the-effects-of-changes-in-foreign-exchange-rates
13. https://viewpoint.pwc.com/dt/gx/en/pwc/industry/industry_INT/industry_INT/corporate_treasury__1_INT/ifrs-accounting-standards/a-foreign-currency.html
14. https://www.grantthornton.com.au/globalassets/1.-member-firms/australian-website/technical-publications/ifrs/gtal_2016_factsheet-ias21-the-effects-of-changes-in-foreign-exchange-rates.pdf
15. https://www.ifrs.org/content/ifrs/home/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/view-jurisdiction.html/canada.html
16. https://www.frascanada.ca/en/acsb/about/what-are-accounting-standards
17. https://www.bdo.ca/insights/accounting-knowledge-center/aspe/section-1651-foreign-currency-translation
18. https://www.bdo.ca/getmedia/80105df6-ec6f-440b-92bf-c67931a586e3/ASPE-IFRS-Comparison_Foreign-Exchange.pdf
19. https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction
20. https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/technical/accountinglink/documents/ey-frdbb2103-09-30-2026.pdf
21. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N1428662.html
22. https://www.bankofcanada.ca/rates/exchange/annual-average-exchange-rates
23. https://viewpoint.pwc.com/dt/us/en/pwc/accounting_guides/foreign_currency/assets/pwcforeigncurrency0826.pdf
24. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N3675550.html
25. https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2010/ias-21-march-2010.pdf
26. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N269084.html
27. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_3760056730.html
28. https://community.oracle.com/netsuite/english/discussion/4215361/changing-functional-currencies-in-oneworld
29. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_3831664657.html
30. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_157252074629.html
31. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_N2124272.html
32. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/chapter_N3944673.html
33. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/section_1521115850.html
34. https://docs.oracle.com/en/cloud/saas/netsuite/ns-online-help/article_1175030259.html
35. https://www.pwc.com/us/en/services/consulting/finance-accounting-transformation/library/2025-global-treasury-survey.html
36. https://www.bea.gov/news/2025/activities-us-multinational-enterprises-2023
37. https://www.netsuite.com/portal/aboutus.shtml
38. https://www.netsuite.com/portal/products/oneworld.shtml
39. https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/us-foreign-currency-matters-2024.pdf

THE PUBLISHER

About Houseblend

Houseblend is a NetSuite consulting firm serving finance and operations teams. We help organizations implement ERP systems, connect business applications, improve existing configurations and maintain the systems that support everyday work. Our audience includes finance leaders, controllers, operations managers, NetSuite administrators and implementation teams.

Implementation and architecture

Houseblend provides NetSuite implementation, architecture and data migration services. We help teams evaluate how business processes, reporting requirements and existing data should fit together in an ERP environment. Training supports the people responsible for adopting and operating the resulting system.

Integrations, customization and AI

Our services include NetSuite integrations and customization, as well as AI integrations and AI transformation work. These engagements connect ERP data and workflows with the broader application landscape. The right design depends on the organization's systems, controls and operating needs.

Improve and support an existing system

Houseblend offers NetSuite health checks, optimization, managed support and project rescue services. We also provide expertise for analytics and specialist workflows, including NetSuite Analytics Warehouse, warehouse management and field service management. Published educational material helps teams investigate options and prepare informed questions for their implementation or support work.

Work with Houseblend

Explore NetSuite implementation, integrations, managed support and AI integrations. Contact Houseblend to discuss your current system and priorities.

Article examples explain concepts rather than promising a particular license, product capability, delivery schedule or outcome. Engagement scope is confirmed with the Houseblend team.

Website: https://www.houseblend.io

This article is educational. Verify consequential medical, legal, financial, regulatory and technical decisions with appropriate professionals and the cited primary sources. Company services are described separately from the article's research findings.