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Exercise – Purchase in foreign currency

November 1st X0, a company purchases some merchandises on a credit basis for 800 $US. The exchange rate is 1.50 CA/US at that date.

February 1st X1, the company pays the supplier with a cheque of 800 $US, for which 1,240 $CA is deducted from its bank account.

February 15th X1, the merchandises are sold for 1,500 $CA cash when the exchange rate is 1.60 CA/US.

Required:

A) Prepare journal entries in Canadian dollars on:
- November 1st X0
- February 1st X1
- February 15th X1

(don't care about fiscal yearend)

B) Same question considering yearend on December 31st X0 with an exchange rate of 1.55 CA/US at that date?

C) Discuss about the difference between A and B (impact on income)

D) From an accounting standpoint, what are the historical values of the following items :
- the assets purchased on November 1st X0
- and the account payable