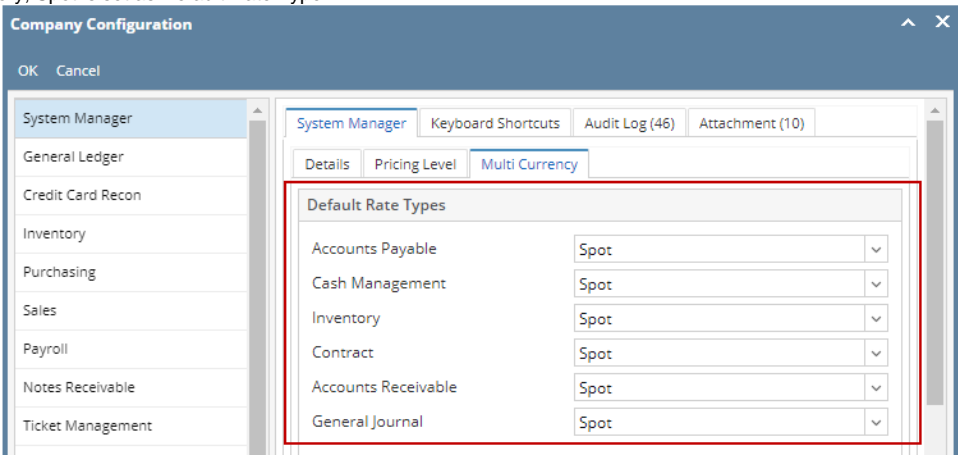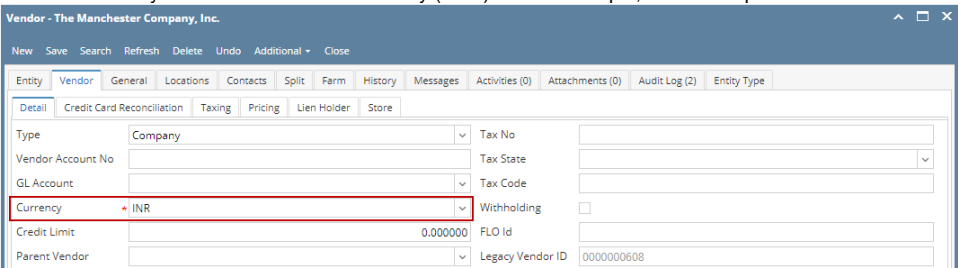# How Default Rate Type works

The **Default Rate Types** are used to set defaults to Forex Rate Type field when creating multi-currency transactions.

Example:

1. In Inventory, Spot is set as Default Rate Type.

   a.

2. Vendor is set with currency other than functional currency (USD). In this example, INR is setup for this Vendor.

   a.

3. When you create any inventory transaction, in this example, Inventory Receipt,
   a. As **Vendor** is selected, **Currency** field will automatically show the Currency setup for the vendor. You can opt to modify it if necessary.
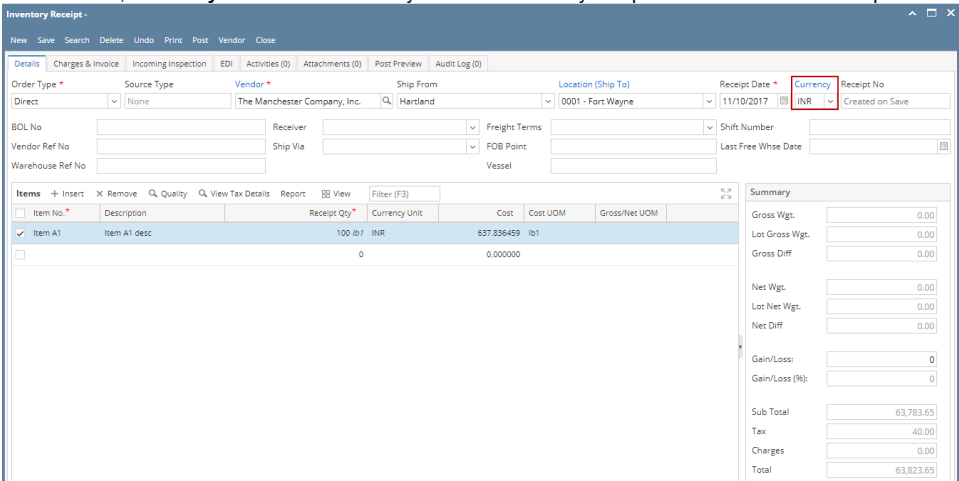
      i.

   b. As Item is selected in the Items grid,

      i.
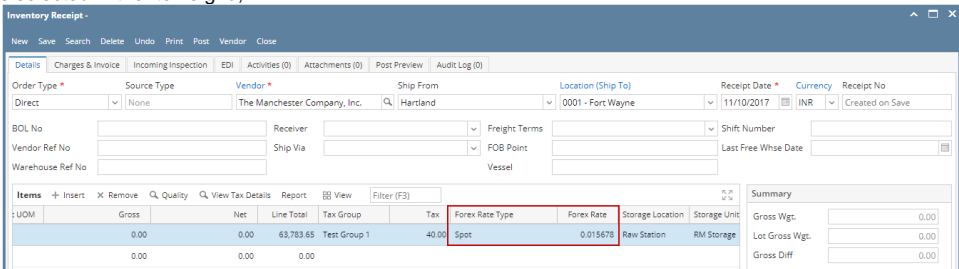
      1. **Forex Rate Type** setup for Inventory will automatically be shown.

a.

2. **Forex Rate** that matched the Rate Type and Date of transaction will be used. In this example, since the date of the Inventory Receipt is 11/10/2017, therefore 0.015678 is used.

a.

3. Though you can change the Forex Rate Type if you need to.