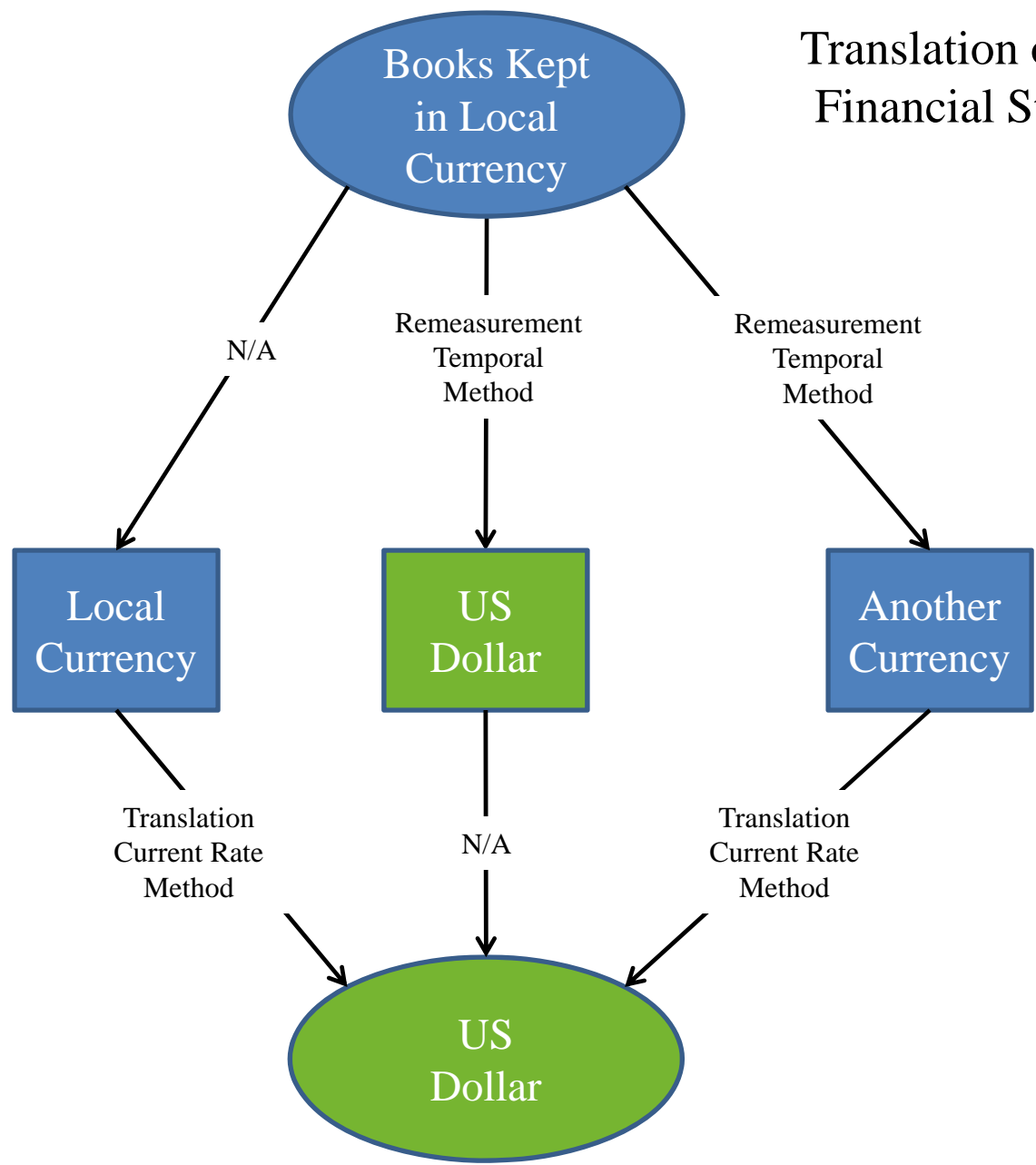


Local
Currency

Translation of Foreign
Financial Statements

Functional
Currency

Reporting
Currency



Current Rate Method (Translation)

- Foreign financial statements restated using US GAAP
- Revenue and expense accounts translated using the exchange rate when the item was recognized. As a practical matter, use the average exchange rate for the period.
- Asset and liability accounts translated using the end-of-period exchange rate.
- Stockholders' equity accounts are translated as follows:
 - Contributed capital (common stock and additional paid in capital) translated using the historical rate in effect when the foreign entity was begun or was acquired.
 - Earned capital (retained earnings)
 - Beginning retained earnings is the ending translated retained earnings from the previous period
 - Add the translated net income
 - Deduct dividends translated using the exchange rate in effect when the dividend was declared
 - Translation adjustment is a plug, recognized in OCI

Temporal Method (Remeasured)

- Foreign financial statements restated using US GAAP
- Revenue and expense accounts relating to non-monetary assets and liabilities are translated using the historical rate when the non-monetary asset or liability was recognized. All other revenues and expenses are translated using the average exchange rate for the period
- Monetary assets and liabilities are translated using the end-of-period exchange rate.
- Non-monetary assets and liabilities (if any) are translated using historical exchange rates in effect when the item was recognized.
- Stockholders' equity accounts are translated as follows:
 - Contributed capital (common stock and additional paid in capital) translated using the historical rate in effect when the foreign entity was begun or was acquired.
 - Earned capital (retained earnings) is a plug
- Remeasurement Gain or Loss is a plug figure to Net Income that forces the Beginning Retained Earnings balance, plus Net Income less Dividends to equal Ending Retained Earnings. These items are remeasured as follows:
 - Beginning retained earnings is the ending remeasured retained earnings from the previous period
 - Dividends are remeasured using the exchange rate when declared
 - Ending retained earnings is the plug figure from the remeasured balance sheet.

	(Translate) Rates for Current Approach	(Remeasure) Rates for Temporal Approach
Balance Sheet Accounts		
Cash, accounts receivable and other monetary assets	Current	Current
Prepaid expenses, inventory and other nonmonetary current assets	Current	Historical
PPE, intangible assets and other nonmonetary noncurrent assets	Current	Historical
Accounts payable, notes payable, bonds, deferred taxes & other monetary liabilities	Current	Current
Deferred revenues and other nonmonetary liabilities	Current	Historical
Common stock and additional paid-in-capital	Historical	Historical
Retained Earnings (Note: Regardless of the method, think of R/E as an accumulation of US-dollar-converted amounts. The components of net income conversion described below; dividends converted at rate on declaration date)	Computed based on 1/1 value + translated net income - translated dividends	Computed based on 1/1 value + remeasured net income - remeasured dividends
Cumulative translation adjustment: Annual charge is part of other comprehensive income (OCI) and the accumulation is a component of the "accumulated other comprehensive income" owners' equity account.	Computed based on 1/1 carryforward balance ± current period translation gain or loss Plug that falls out of the trial balance	Not Applicable
Income Statement Accounts		
Revenues	Weighted-average	Weighted-average
Operating expenses, excluding depreciation and amortization	Weighted-average	Weighted-average
Depreciation and amortization expense	Weighted-average	Historical
Cost of goods sold	Weighted-average	BI at historical rate + Purchases at weighted-average rate - EI at purchase date
Remeasurement Gain or (Loss): Each year's amount is included in determining net income	Not Applicable	Plug to balance the trial balance