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**SUMMARY OF TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENT**

***Statement of Financial Position exposure***

The exposure to translation adjustment is referred to as Statement of Financial Position, translation, or accounting exposure. ***Statement of Financial Position exposure*** can be contrasted with the ***transaction exposure*** thatarises when a company has foreign currency receivables and payables such that the transaction exposure gives rise to foreign exchange gains and losses that are ultimately realized in cash; and the translation adjustments that arise from Statement of Financial Position exposure do not directly result in cash flows whether inflows or outflows.

Each unit is being translated at the current exchange rate and is subject to an enhancement in translation. In addition, there is a separate translation change for each of these units being revealed. On the other hand, when the foreign currency appreciates positive translation changes on assets are offset by negative translation changes on liabilities. When the total exposed assets in the year are equal to the total exposed liabilities, the translation changes produce a negative balance. The net exchange adjustment that is necessary to balance the combined Statement of Financial position is based exclusively on net asset or net exposure to liabilities.

**Translation Methods**

The four main methods of translating foreign currency financial statements have been used worldwide:

1. The procedures for the current / non-current method are as follows: current assets and current liabilities are translated at the current exchange rate; non-current assets, non-current liabilities, and equity securities of stockholders are translated at traditional exchange rates. This approach does not underlie any scientific basis.
2. Monetary assets and liabilities are translated at the actual exchange rates in this method; non-monetary assets, non-monetary liabilities, and equity accounts of stockholders are converted at historical exchange rates. Cash, receivables and payables held on the Statement of Financial Position of the foreign operation are subject to foreign exchange risk under the monetary / non-monetary method. Net asset exposure occurs as cash plus receivables exceed payables, and net liability exposure occurs when payables exceed cash plus receivables.
3. The key aim behind the temporal translation method is to create a series of financial statements interpreted from the parent currency as if the foreign subsidiary had previously used the parent currency in handling its operations. In agreement with the underlying objective of the temporal method, assets and liabilities recorded on the Statement of Financial position at historical expense of the foreign transaction are translated at historical exchange rates in order to yield an equal historical cost in terms of parent currency.
4. The fundamental rule behind the current rate method is that the entire investment of a parent in a foreign operation is subjected to foreign exchange risk, and this risk should be stated in the presentation of the financial statements of the foreign operation. Using the current rate method, revenue and expenses are converted using the exchange rate in place at the accounting recognition date.