

ACCOUNTING FOR FOREIGN OPERATIONS :
TRANSLATION OF FOREIGN CURRENCY FINANCIAL
STATEMENTS AND DISCLOSURE

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1.1 INTRODUCTION

Nowadays corporations have increased and the extent of international activities has also increased significantly. Many companies at some stage become involved in transactions of an overseas nature. Domestic companies transact business with foreign entities in a variety of ways. In some instances, these activities constitute foreign currency transactions and may involve sales or purchases of goods and services, lending or borrowing of funds, and a variety of transactions. Domestic entities also have investment interests in foreign operations which take various forms. For example, a foreign operation may be a branch, division, subsidiary, joint venture, or equity investment of a domestic company.

A foreign entity will generally measure and record its transactions in terms of currency of the country in which it is located, call the local currency. If the foreign entity maintains its books in such a way, its accounts or financial statements must be presented in the way that they can be consolidated or combined with the domestic financial statements, call translation.

Translation can be defined as a process of expressing amounts denominated or measured in foreign currency