

HKGAAP PLUS *ALERT*

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Foreign Currency Translation

Following on the revision of SSAP 15, as detailed in Alert No. 13, SSAP 11 *Foreign Currency Translation* has been revised. The revisions are effective for accounting periods beginning on or after 1 January 2002. Earlier adoption is encouraged but not required.

The changes made eliminate the option available under the previous version of SSAP 11 to translate the income statement of a foreign subsidiary at the closing rate when preparing consolidated financial statements. The results of such subsidiaries will in future be required to be translated at an average rate for the period. The difference between the income statement translated at an average rate and at the closing rate is recorded as a movement on reserves.

This revision ensures consistency with the exchange rate used for the translation of cash flows under SSAP 15 (Revised), and brings SSAP 11 more closely into line with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. However, a number of differences continue to exist between the IAS and SSAP 11.

This alert has been written in general terms and is intended for reference only. The application of its contents to specific situations will depend on the particular circumstances involved. Accordingly, we recommend that readers seek appropriate professional advice regarding specific matters and this alert should not be relied on as a substitute for such advice. The partners and managers of Deloitte Touche Tohmatsu will be pleased to advise on any such problems. While all reasonable care has been taken in the preparation of this newsletter, Deloitte Touche Tohmatsu accepts no responsibility for any errors it might contain, or for any loss, howsoever caused, that happens to any person by their reliance on it.

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