**Posey Memorandum**

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The following are the specific calculations necessary to finish the consolidation spreadsheet when an overseas subsidiary with non-US$ operational currency is acquired. When the parent business prepares its consolidated financial statements, which include the financial information of the foreign affiliate, the financial statements of the foreign subsidiary should be translated into the parent's reporting currency (Savić et al., 2019).

Currency translation is done using two techniques: the current rate technique and the temporal technique. The current rate approach is a foreign currency translation technique in which the majority of items appearing in the financial statements are interpreted at the current exchange rate. When a corporation has activities in other nations, the foreign exchange produced by such services might need to be converted into the currencies used to prepare the firm's financial information and the presentation currencies. The historical approach (sometimes referred to as the temporal approach) is a foreign currency translation approach that utilizes exchange rates centered on the time liabilities and assets are obtained or generated to translate values on an integrated foreign institution's books into the mother institution's currency (Shawver, 2020). When the subsidiary's local currency varies from its functional currency, the historical method is applied.

The noncontrolling interest in a foreign subsidiary would be calculated and reported if it was just fully controlled. The main variation is the distribution of the translation modification resulting from the interpretation of the trial balance accounts of the foreign subsidiary. The non-controlling interest would get a portion of the translation adjustment throughout the clearance entry procedure. The accrued other comprehensive income from the translation adjustment would be included in the non-controlling interest on the consolidated balance sheets at year completion.

The statement of cash flows connects two financial accounts. Different organizations have some leeway and freedom in generating the statement of cash flow. Items on the list presented in the accrual basis of accounting should be recalculated in US dollars utilizing similar rates as applied in the financial statements, supposing that cash flow happens equally each year. If a significant cash flow happens at one point throughout the year, the exchange rate in effect at the time of the cash flow must be applied (Pratt & Peters, 2020). Since the average exchange rate is utilized in the items listed and the relevant or current rate is employed to translate the starting and ending cash holdings, the statement of cash flows includes a balancing factor to account for the changes in exchange rates. This balancing factor may be examined and tracked back to the financial flows that cause the disparity.

**References**

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