P18-2

**Translation of financial statements** A U.S.-based MNC has a subsidiary in France (local currency, euro, ;). The balance sheet and income statement of the subsidiary follow. On 12/31/09, the exchange rate is US$1.20/;. Assume that the local (euro) figures for the statements remain the same on 12/31/10. Calculate the U.S. dollar translated figures for the two ending time periods, assuming that between 12/31/09 and 12/31/10 the euro has appreciated against the U.S. dollar by 6%.

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| Translation of Income Statement |
|  | 12/31/09 |  | 12/31/10 |
|  | Euro | US$ |  | US$ |
| Sales | 30,000.00 |  |  |  |
| Cost of goods sold | 29,750.00 |   |  |   |
| Operating profits |  250.00 |   |  |   |
|  |  |  |  |  |

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| Translation of Balance Sheet |
|  | 12/31/09 |  | 12/31/10 |
| Assets | Euro | US$ |  | US$ |
| Cash | 40.00 |  |  |  |
| Inventory | 300.00 |  |  |  |
| Plant and equipment (net) | 160.00 |   |  |   |
| Total |  500.00 |   |  |   |
|  |  |  |  |  |
| Liabilities and Stockholder’s Equity |
| Debt | 240.00 |  |  |  |
| Paid-in capital | 200.00 |  |  |  |
| Retained earnings |  60.00 |   |  |   |
| Total |  500.00 |   |  |   |
|  |  |  |  |  |