SIC 7
Introduction of the euro

REFERENCES

IAS 1	Presentation of financial statements
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the reporting period
IAS 21	The effects of changes in foreign exchange rates
IAS 27	Separate financial statements

ISSUE

The issue referred to here is the application of the provisions of IAS 21 relating to the translation of company financial statements at the time of participating Member State's changeover to the Euro.

POSITION ADOPTED

IAS 21 must be strictly applied, when translating foreign currency transactions and financial statements foreign operations at the time of the changeover to the euro.

This means that foreign currency monetary assets and liabilities resulting from transactions must continue to be translated into the functional currency at the closing rate. Any resulting **exchange difference** must immediately be **recognized as income or expense**. However, an entity must continue to apply the existing accounting method for the exchange gains and losses related to hedges of the currency risk of a forecast transaction.

Cumulative exchange differences relating to the translation of financial statements of foreign operations, recognized in other comprehensive income, must continue to be accumulated in equity and shall only be recognized as income or expense on the disposal of the net investment in the foreign operation.

The exchange differences resulting from the translation of liabilities related to the acquisition of assets, denominated in participating currencies must not lead to changes in the carrying value of these assets.