

have not been recast or otherwise supplemented to include information on a historical cost/constant currency or current cost basis prescribed or permitted by appropriate authoritative standards, the issuer shall present supplementary information to quantify the effects of changing prices upon its financial position and results of operations.

(d) Notwithstanding the currency selected for reporting purposes, the issuer shall measure separately its own transactions, and those of each of its material operations (e.g., branches, divisions, subsidiaries, joint ventures, and similar entities) that is included in the issuer's consolidated financial statements and not located in a hyperinflationary environment, using the particular currency of the primary economic environment in which the issuer or the operation conducts its business. Assets and liabilities so determined shall be translated into the reporting currency at the exchange rate at the balance sheet date; all revenues, expenses, gains, and losses shall be translated at the exchange rate existing at the time of the transaction or, if appropriate, a weighted average of the exchange rates during the period; and all translation effects of exchange rate changes shall be included as a separate component ("cumulative translation adjustment") of shareholder's equity. For purposes of this paragraph, the currency of an operation's primary economic environment is normally the currency in which cash is primarily generated and expended; a hyperinflationary environment is one that has cumulative inflation of approximately 100% or more over the most recent three year period. Departures from the methodology presented in this paragraph shall be quantified pursuant to Item 17(c)(2) of Form 20-F (§ 249.220f of this chapter).

(e) The issuer shall state its primary financial statements in the same currency for all periods for which financial information is presented. If the financial statements are stated in a currency that is different from that used in financial statements previously filed with the Commission, the issuer shall recast its financial statements as if the newly adopted currency had been used

since at least the earliest period presented in the filing. The decision to change and the reason for the change in the reporting currency shall be disclosed in a note to the financial statements in the period in which the change occurs.

[59 FR 65631, Dec. 20, 1994, as amended at 64 FR 53908, Oct. 5, 1999]

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

§ 210.3A-01 Application of § 210.3A-01 to § 210.3A-05.

Sections 210.3A-01 to 210.3A-05 shall govern the presentation of consolidated and combined financial statements.

[44 FR 19386, Apr. 3, 1979. Redesignated at 45 FR 63687, Sept. 25, 1980, and amended at 50 FR 25215, June 18, 1985]

§ 210.3A-02 Consolidated financial statements of the registrant and its subsidiaries.

In deciding upon consolidation policy, the registrant must consider what financial presentation is most meaningful in the circumstances and should follow in the consolidated financial statements principles of inclusion or exclusion which will clearly exhibit the financial position and results of operations of the registrant. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one entity directly or indirectly has a controlling financial interest in another entity. Other particular facts and circumstances may require combined financial statements, an equity method of accounting, or valuation allowances in order to achieve a fair presentation. In any case, the disclosures required by § 210.3A-03 should clearly explain the accounting policies followed by the registrant in this area, including the circumstances involved in any departure from the normal practice of consolidating majority owned subsidiaries and not consolidating entities that are less than majority owned. Among the factors that the registrant should consider in determining the most meaningful presentation are the following:

(a) *Majority ownership:* Generally, registrants shall consolidate entities