

SEC Issues Temporary Guidance on Venezuela

March 25, 2010

Dear clients and friends:

The **Securities and Exchange Commission (SEC)** Staff on March 18 issued an announcement in response to inquiries received regarding foreign currency issues on investments in Venezuela.

The **announcement** provides guidance where the parent's reporting currency is the U.S. dollar with a Venezuelan subsidiary, with the Bolivar Fuerte as its functional currency with certain balances denominated in U.S. dollars.

Due to Venezuela having two exchange rates, the official rate and a parallel rate, prior to 2010 entities may have been in the situation where they were using the parallel rate to re-measure U.S. dollar-denominated balances held by the Venezuelan subsidiary and then translating the Venezuelan subsidiary's balances using the official rate. This results in the entity's reported balances being different from the U.S. dollar values that were originally recorded.

This is due to the parallel rate being 6.75 and the official rate being 2.15. In other words, in this scenario, a \$100 balance held by a Venezuelan subsidiary would be re-measured into 675 Bolivar Fuertes and then translated into \$314. The entity would report a \$314 balance when, in actuality, the balance was only \$100.

The SEC Staff indicated in this case, if material, disclosures in the financial statement should consist of the following at a minimum:

- Disclosure of the rates used for re-measurement and translation.
- A description of why the actual U.S. dollar denominated balances differ from the amounts reported for financial reporting purposes, including the reasons for using two different rates with respect to re-measurement and translation.

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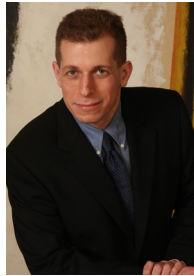
- The magnitude of the difference between the amounts reported for financial reporting purposes versus the underlying U.S. dollar denominated values.
- To the extent possible, disclosure of the amount that will be recognized through the income statement (as well as the impact on the other financial statements).

If you would like additional information about the accounting requirements for entities in Venezuela, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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