

**[SEC MEMORANDUM CIRCULAR NO. 1, S. 2006,
January 11, 2006]**

**GUIDELINES ON THE FILING OF FUNCTIONAL CURRENCY
FINANCIAL STATEMENTS**

The Commission in its meeting of January 10, 2006, resolved to issue this Circular to guide companies whose functional currency (i.e., the currency of the primary economic environment in which the company operates) is other than the Philippine peso and which company file financial statements expressed in that functional currency.

1. The company's determination of its functional currency shall be made in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.
2. A company that files for the first time financial statements denominated in a currency other than Philippine peso ("functional currency FS") for statutory reporting purposes shall notify the Commission that it shall file such financial statements, with an assessment that supports the determination of its functional currency. Please see attached Annex "A"* for an illustrative notification.
3. The notification shall be signed by the company's chief executive officer and chief financial officer. It shall be accompanied by a report from the company's external auditor indicating his/her assessment that the company's determination of its functional currency was made in accordance with PAS 21. Please see attached Annex "B"* for an illustrative report of the external auditor.
4. A company whose functional currency is other than the Philippine peso that chooses to present financial statements expressed in Philippine peso shall submit financial statements expressed in both its functional currency and in Philippine peso. The company shall (a) translate its functional currency financial statements into Philippine pesos in accordance with PAS 21 and (b) submit a notification to the Commission in accordance with paragraphs (2) and (3) above.
5. The notification shall be filed within forty-five (45) days after the end of the year in which the company intends to initially present a functional currency FS.
6. In the case of a change in functional currency, the company shall file a notice indicating the proposed change including the reasons thereof within thirty (30) days after the end of year in which the change occurred. The notice shall be signed and accompanied by a report of the company's external auditor in the manner described in paragraph (3) above.