Functional currency tax calculation example Purchase 3 assets 3 times for 3$ each (exchange rates 1,000 won, 1,100 won, 1,200 won) and purchase 2 assets Sold twice for $5 each (exchange rate: 1,300 won, 1,400 won) The proceeds from later sales ($5) are retained as accounts receivable until the end of the year. ⦁Depreciation of tangible assets with an acquisition price of $10 (exchange rate of 1,000 won at acquisition) (5-year straight-line method) ⦁FIFO method, functional currency is US dollar, tax rate is 50%, tax is paid at the end of December ⦁Average annual exchange rate 1,250 won, period-end exchange rate 1,500 won Division Method 1 Method 2 Method 3 Revenue $10 ￦13,500 ￦13,500 Cost of sales $6 ￦6,300 ￦6,300 Depreciation Expense $2 ￦2,000\*\* ￦2,500\*\* Foreign Exchange Gain- ￦500\*\*\* - Net Profit for the Period $2 ￦5,700 ￦4,700 Taxable Income$2 ￦5,700 ￦4,700 Taxable Amount $1 ￦2,850 ￦2, Amount of Tax Payable in Korean Won ￦1,250\* ￦2,850 ￦2, \* Assuming application of the average annual exchange rate \*\* (Depreciation expense) Method 2 applies the historical exchange rate, Method 3 applies the average exchange rate (when converting to the display currency, the average exchange rate is applied to depreciation, loan loss allowance, retirement benefit allowance, etc.) \*\*\* (Foreign currency translation gain) Translation gain resulting from applying the end-of-year exchange rate to accounts receivable. In case of method 3, foreign currency translation gains and losses arising when converting the presentation currency are treated as other comprehensive income.