



Need to know

IASB publishes amendments to IAS 21 on translation to a hyperinflationary presentation currency

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This *Need to know* outlines the amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Translation to a Hyperinflationary Presentation Currency*, published by the International Accounting Standards Board (IASB) on 13 November 2025.

- The IASB has amended IAS 21 to require an entity translating financial statements from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy, to translate all amounts (including comparatives) using the closing rate at the date of the most recent statement of financial position
- In addition, when an entity with a functional and presentation currency that is the currency of a hyperinflationary economy translates a foreign operation, whose functional currency is that of a non-hyperinflationary economy, it restates comparative amounts of that foreign operation by applying the general price index it uses to restate corresponding figures under IAS 29 *Financial Reporting in Hyperinflationary Economies*
- Entities are required to disclose that they have applied the new translation method, including summarised financial information about its foreign operations translated applying the new translation method
- The amendments are effective for annual reporting periods beginning on or after 1 January 2027 and are applied retrospectively with certain transition provisions.

Background

The issue of translation of foreign operations with functional currencies of non-hyperinflationary economies by entities with functional and presentation currencies of hyperinflationary economies was referred by the IFRS Interpretations Committee to the IASB, who decided to issue narrow-scope amendments to IAS 21 on the matter.

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

Observation

The scope of the IASB's considerations was limited to entities with presentation currencies of hyperinflationary economies. As a result, the amendments have no effect on the requirements for entities that present their financial statements in the currency of non-hyperinflationary economies but that have foreign operations with functional currencies of hyperinflationary economies.

The amendments

Translation from a non-hyperinflationary functional currency to a hyperinflationary presentation currency

The amendments to IAS 21 require an entity with the functional currency of a non-hyperinflationary economy but the presentation currency of a hyperinflationary economy to translate all amounts in its financial statements, including comparatives, at the closing rate at the date of the most recent statement of financial position.

When the entity's presentation currency ceases to be the currency of a hyperinflationary economy and its functional currency continues to be the currency of a non-hyperinflationary economy, the entity applies prospectively (without retranslation of the comparative amounts) the normal method for translation of foreign operations. That is, assets and liabilities in each statement of financial position are translated at the closing rate at the date of that statement of financial position, income and expenses are translated at the exchange rates at the date of the transaction (or, when appropriate, at an average rate) and resulting exchange differences are recognised in other comprehensive income.

Observation

The IASB decided to require this approach on the basis that, as is the case with restatement under IAS 29, it results in all amounts being expressed in terms of a current measurement unit.

Translation of non-hyperinflationary foreign operations by entities with hyperinflationary functional and presentation currencies

The amendments require a different approach when an entity's functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and the entity translates the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. In these circumstances, the entity is required to restate the comparative amounts of that foreign operation included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with IAS 29:34.

Observation

The IASB chose to introduce this requirement in response to concerns raised by stakeholders over the costs of applying the new translation method for entities that apply IAS 29 and have foreign operations.

Disclosure requirements

When an entity translates its results and financial position or the results and financial position of a foreign operation from a functional currency that is not the currency of a hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy, the entity is required to disclose the fact that all amounts (i.e. assets, liabilities, equity items, income and expenses and, if applicable, comparatives) in its financial statements, or the results and financial position of its foreign operations, have been translated at the closing rate at the date of the most recent statement of financial position.

When an entity's functional currency is that of a hyperinflationary economy but the functional currency (or currencies) of its foreign operations is not, the entity is required to disclose summarised financial information about its foreign operations that enables users of financial statements to assess the effect of these foreign operations on the entity's results and financial position. The entity is required to label the comparative summarised financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with IAS 29:34.

When the entity's presentation currency ceases to be the currency of a hyperinflationary economy and its functional currency continues to be the currency of a non-hyperinflationary economy, the entity is required to disclose the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy.

The IASB added the same disclosure requirements for subsidiaries that are eligible and elect to apply IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

Effective date and transition

An entity is required to apply the amendments for annual reporting periods beginning on or after 1 January 2027.

An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and that translates the results and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy, is required to:

- i. apply the amendments from the beginning of the annual reporting period in which it first applies the amendments
- ii. restate the comparative amounts of its foreign operations included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures in accordance with IAS 29:34
- iii. disclose comparative summarised financial information about its foreign operations and label such information to identify that the entity prepared the information by applying ii.

Other than that, an entity is required to apply the amendments retrospectively in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

An entity is not required to disclose the information that would otherwise be required by IAS 8:28(f). Similarly, an entity that applies IFRS 19 is not required to disclose the information that would otherwise be required by IFRS 19:178(f).

Implication for UK companies

The amendments have not yet been endorsed for use in the UK and can therefore not yet be applied by UK companies.

Further information

If you have any questions about the amendments, please speak to your usual Deloitte contact.

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