



Need to know

IASB proposes amendments to IAS 21 on translations to a hyperinflationary presentation currency

Contents

Background

The proposed amendments

Effective date, transition and comment period

Further information

This *Need to know* outlines the proposed amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* set out in exposure draft (ED) *Translation to a Hyperinflationary Presentation Currency*, published by the International Accounting Standards Board (IASB) on 25 July 2024.

- The IASB proposes to amend IAS 21 so that when an entity translates amounts 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, the entity translates those amounts, including comparative amounts, using 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 restatement of the comparative amounts) the method currently applicable in IAS 21 to such situations
- Entities would be required to disclose that they have applied the method proposed in the ED, including summarised financial information about its foreign operations translated applying the proposed translation method
- The amendments would have to be applied retrospectively (the effective date is yet to be determined)
- The comment period ends on 22 November 2024.

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

Background

The IFRS Interpretations Committee (IFRS IC) received a submission about the application of IAS 21 and IAS 29 *Financial Reporting in Hyperinflationary Economies*. The submission asked how an entity, whose functional and presentation currencies are the currency of a hyperinflationary economy, translates the results and financial position of a foreign operation, whose functional currency is the currency of a non-hyperinflationary economy. In this situation, the entity applies IAS 21:39 and:

- translates assets and liabilities for each statement of financial position presented at the closing exchange rate at the date of that statement of financial position
- translates income and expenses using exchange rates at the dates of the transactions
- does not restate comparative amounts.

However, because the entity's functional and presentation currencies are the currency of a hyperinflationary economy, the IFRS IC was asked whether, after applying IAS 21:39, the entity is required to apply IAS 29:26 and 34 to restate the current period income and expenses and all comparative amounts of its foreign operation in terms of the measuring unit current at the end of the reporting period.

The IFRS IC noted that an entity could justifiably either restate current period income, expenses and comparative amounts, or not do so. Therefore, the IFRS IC referred the matter to the IASB, who decided to propose narrow-scope amendments to IAS 21 to address the issue.

The proposed amendments

Proposed translation method

The IASB proposes amendments to IAS 21 that would require that when an entity's presentation currency is the currency of a hyperinflationary economy, but its functional currency is the currency of a non-hyperinflationary economy, the entity translates 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 restatement of the comparative amounts) the method currently applicable in IAS 21 to such situations. 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; and income and expenses are translated at the exchange rates at the date of the transaction with all resulting exchange differences recognised in other comprehensive income.

Observation

Stakeholders who were consulted on the issue said that amounts presented in the currency of a hyperinflationary economy are useful only if expressed in terms of a current measuring unit.

The IASB expects that the proposed translation method, which is already used to translate the financial statements of an entity whose functional currency is the currency of a hyperinflation, would result in an entity presenting amounts subject to translation in terms of a current measuring unit.

Proposed disclosure requirements

An entity using the proposed translation method would be required to disclose:

- the fact that it applied the proposed translation method
- summarised financial information about its foreign operations translated applying the proposed translation method
- if the economy whose currency is the entity's presentation currency ceased to be hyperinflationary, that fact.

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

Effective date, transition and comment period

The ED does not propose an effective date. The effective date will be decided when the IASB redeliberates the proposals.

With regard to transition, the IASB proposes:

- to require an entity to apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- not to require an entity to disclose the information that would otherwise be required by IAS 8:28(f) or IFRS 19:178(f)
- to permit an entity to apply the amendments earlier than the effective date.

The comment period for the ED ends on 22 November 2024.

Further information

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

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosures literature.

GAAP in the UK on DART allows access to the full IFRS Standards and UK GAAP, linking to and from:

- Deloitte's authoritative, up-to-date, GAAP in the UK manuals which provide guidance for reporting under IFRS Standards and UK GAAP
- illustrative financial statements for entities reporting under IFRS Accounting Standards and UK GAAP.

In addition, our **sustainability reporting** volumes of GAAP in the UK provide guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

To apply for a subscription to GAAP in the UK on DART, click [here](#) to start the application process and select the GAAP in the UK package. For more information about GAAP in the UK on DART, including pricing of the subscription packages, click [here](#).



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please click [here](#) to learn more about our global network of member firms.

© 2024 Deloitte LLP. All rights reserved.

Designed by Deloitte CoRe Creative Services. RITM1834703