



IFRS IN BRIEF

IAS 29 Financial Reporting in Hyperinflationary Economies

SCOPE

IAS 29 applies to financial statements including consolidated financial statements of entities who have a functional currency that is hyperinflationary.

INDICATORS OF HYPERINFLATION

Indicators that an economy is hyperinflationary include:

- The population prefers to keep its wealth in non-monetary assets or stable foreign currency
- local currency is invested immediately to maintain purchasing power
- prices are generally considered in a stable foreign currency not the local currency
- Prices set for sales on credit reflect the expected loss of purchasing power even when the period of credit is short
- Interest, wages and other prices are linked to a price index
- Cumulative inflation rates over the past three years is approaching, or exceeding, 100%

RESTATEMENT OF FINANCIAL STATEMENTS

Financial statements in a hyperinflationary economy shall be restated to the measuring unit that is current at the end of the reporting period. Comparative periods shall also be

restated. The gain or loss that arises from retranslation is recognised in profit or loss.

The method of restatement will depend on whether entity elects to prepare financial statements in a hyperinflationary economy at either:

- Historical cost approach
This approach is the traditional approach for accounting and has no regard for the change in general prices (except for items that are measured at fair value)
- Current cost approach
This approach reflects the change in the specific prices of assets held.

HISTORICAL COST FINANCIAL STATEMENTS

Statement of Financial Position

Items not already stated to the measuring unit currency at the end of the reporting period are restated by applying the general price index.

- Monetary items are not restated
- Assets and liabilities linked to changes in prices are adjusted in accordance with the agreement, to determine the amount outstanding at the end of the reporting period
- Non-monetary items are restated, unless they are already measured at amounts that are current at the end of the reporting period such as fair value or net realisable value (inventories).

Statement of comprehensive income

All line items shall be restated to the measuring unit currency at the end of the reporting period by applying the general price index.

CURRENT COST FINANCIAL STATEMENTS**Statement of Financial Position**

All items not already stated at current cost at the end of the reporting period are restated at their current cost by applying the general price index

Statement of comprehensive income

All line items shall be restated to the measuring unit current at the end of the reporting period by applying the general price index

STATEMENT OF CASH FLOWS

All items in the statement of cash flow are restated to the measuring unit current at the end of the reporting period by applying the general price index.

COMPARATIVE PERIODS

All comparative period figures are restated to the measuring unit current at the end of the reporting period by applying the general price index.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries that are in hyperinflationary economies shall apply the principles of IAS 29 prior to consolidation. The subsidiaries restated financial statements are then translated at the closing exchange rate for inclusion in the consolidated financial statements.

CEASING TO BE HYPERINFLATIONARY

When an economy ceases to be hyperinflationary and entities cease to use this standard, the amounts expressed in the measuring unit current at the end of the previous reporting period will be the basis of the carrying amounts in its subsequent financial statements.

DISCLOSURES

Entities are required to disclose the fact that they are hyperinflationary and have restated the amounts to reflect the changes in the general purchasing power, which approach they have taken to apply the standard and the price index and level of the price index at the reporting dates.

CONTACTS

BOAZ DAHARI

Moore Israel
boazd@lionorl.co.il

CHRISOF STEUBE

Moore Singapore
christofsteube@moorestephens.com.sg

EMILY KY CHAN

Moore CPA Limited
emilykychan@moore.hk

IRINA HUGHES

Johnston Carmichael
Irina.Hughes@icca.co.uk

KRISTEN HAINES

Moore Australia
kristen.haines@moore-australia.com.au

NEES DE VOS

Moore DRV
N.de.Vos@drv.nl

PAUL CALLAGHAN

Moore Oman
paul.callaghan@moore-oman.com

SAHEEL ABDULHAMID

Moore JVB LLP
saheel@moore-jvb.com

TAN KEI HUI

Moore Malaysia
keihui@moore.com.my

TESSA PARK

Moore Kingston Smith
TPark@mks.co.uk

THEODOSIOS DELYANNIS

Moore Greece
theodosios.Delyannis@moore.gr

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