THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
Northern India Regional Council

CHAIRMAN

26th June 2021

To

The Secretary,
Accounting Standard Board,
The Institute of Chartered Accountants of India
ICAI Bhawan, A-29, Sector-62,
NOIDA, Uttar Pradesh – 201 309

Sub: Exposure Draft of IFRS Standard issued by the IASB for comments- Standard for Lack of Exchangeability - Proposed amendments to IAS 21)

Madam/Sir,

In reference to the cited subject, NIRC of ICAI is submitting comments on this Exposure Draft indicating the specific paragraph(s) to which they relate, containing a clear rationale, and where applicable.

Hope the same will be line and will be acknowledged appropriately.

Truly Yours,

Avinash

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Comments on Exposure Draft of Lack of Exchangeability

(Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

Question 1—Assessing exchangeability between two currencies.

Paragraph 8 of the draft amendments to IAS 21 specifies that a currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency. Paragraphs A2–A11 of [draft] Appendix A to IAS 21 set out factors an entity considers in assessing exchangeability and specify how those factors affect the assessment.

Paragraphs BC4–BC16 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Comment: - Yes, I am agreeing with the proposal of IFRS Interpretations committee. Reason being is earlier in IAS 21 there is no provision regarding to exchangeability of currency. Entity may use any flexible rates while reporting foreign currency transactions and translating results and financial position of foreign operations.

IFRS Interpretations committee allow only Markets or exchange mechanisms as currency exchange medium which would create enforceable rights and obligations. Allowing other medium of exchange might not create enforceable rights and obligations

This proposed amendment will definitely enrich the believe of the stakeholders and transparency regarding currency exchangeability. All the possible and practical aspects is included & considered while proposing this amendment

Question 2—Determining the spot exchange rate when exchangeability is lacking

Paragraphs 19A–19C and paragraphs A12–A15 of the draft amendments to IAS 21 specify how an entity determines the spot exchange rate when a currency is not exchangeable into another currency.

Paragraphs BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Comment: - Yes, I am agreeing with the proposal of IFRS Interpretations committee. Reason being When exchangeability between two currencies is lacking—that is, when a currency is not exchangeable into another currency (as described in paragraphs A2–A11 of IAS 21) at a measurement date committee suggests use of estimated spot rate with detailed Appendix and conditions that definitely make the financial statements trustable to the extent.

The most important provision embedded is that estimated spot rate should faithfully reflects the prevailing economic conditions which doesn't allow to use any observable exchange rate.

Regarding use of First subsequent exchange rate when currency is exchangeable subsequently represents faithfully estimation of prevailing market conditions after considering facts and circumstances of each case

Question 3—Disclosure

Paragraphs 57A–57B and A16–A18 of the draft amendments to IAS 21 require an entity to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows.

Paragraphs BC21–BC23 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Comment: - Yes, I am agreeing with the proposal of IFRS Interpretations committee because committee proposed extensive disclosure requirements that in my opinion definitely meets the needs of the users of financial statements and all the possible effects of currency exchangeability will be disclosed.

Question 4—Transition

Paragraphs 60L–60M of the draft amendments to IAS 21 require an entity to apply the amendments from the date of initial application, and permit earlier application. Paragraphs BC24–BC27 of the Basis for Conclusions explain the Board's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Comment: - Yes, I am agreeing with the proposal of IFRS Interpretations committee. Reason being Committee proposed not to restate comparative information. Entity will not apply Retrospective application as per IAS 8 that will save the cost & time. The translation difference is transferred to separate component of equity which support existing provision