

Comments On Exposure Draft

Translation to a Hyperinflationary Presentation Currency

Proposed amendments to IAS 21

Question 1—Proposed translation method

Opinion—The Committee noted 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, applying the requirements in IAS 21 does not result in useful information.

The Committee discussed and recommended to the IASB a proposed solution that the Committee considered would improve the usefulness of the resulting information in a simple and cost-effective manner and remove existing diversity

The proposed amendments in this exposure draft would require an affected entity to translate all amounts subject to translation, including comparative amounts, using the closing rate at the date of the most recent statement of financial position (proposed translation method). This translation method is already set out in paragraph 42 of IAS 21 and is applied by entities with a functional currency that is the currency of a hyperinflationary economy

Question 2—Proposed disclosure requirements

Opinion— Stakeholders said new disclosure requirements may be needed to complement the proposed translation method. Investors said that for the purpose of their analysis, they would find useful information that enables them to translate amounts in an entity's financial statements (or the results and financial position of its foreign operation) to the currency of a non-hyperinflationary economy

The IASB also considered what information investors would need to allow them to translate amounts in an entity's financial statements (or the results and financial position of its foreign operation) to the currency of a non-hyperinflationary economy.

the IASB proposes to require an entity to disclose summarised financial information about its foreign operations to which it has applied the proposed translation method.

The IASB also observed that summarised financial information about an entity's foreign operations would provide useful information about the composition of the amounts presented in an entity's financial statements. In this situation, any of the entity's foreign operations to which it had applied the proposed translation method would have a functional currency that is the currency of a non-hyperinflationary economy and a presentation currency that is a currency of a hyperinflationary economy

Question 3—Proposed disclosure requirements for subsidiaries without public accountability

Opinion—these disclosures would provide useful information about an eligible subsidiary's accounting policies (see paragraph BC33(d) of IFRS 19). These disclosures would be factual statements for which the cost of disclosing the information would be low

This information could also help users (particularly lenders) better understand the cash flows of the foreign operation and consequently would provide useful information about the eligible subsidiary's short-term cash flows, commitments and obligations, and its solvency and liquidity

Question 4—Other aspects: Transition requirements and requirements when the economy ceases to be hyperinflationary

Opinion— If the economy ceases to be hyperinflationary, the entity would be required to no longer apply the proposed amendments and instead to apply paragraph 39 of IAS 21. Paragraph 39(b), for example, requires an entity to translate income and expenses at the ‘exchange rates at the dates of the transactions’. In accordance with that paragraph, an entity would be required to determine exchange rates at the dates of transactions for which it had previously—while

applying the proposed translation method—used only the closing rates. The IASB considered that doing so might be impracticable or unduly onerous

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