



**Feedback on IASB Exposure Draft - Translation to a Hyperinflationary Presentation Currency (IAS 21)
- IASB/ED/2024/4**

We are pleased to submit our comments on the proposed amendments to IAS 21: Translation to a Hyperinflationary Presentation Currency, as outlined in IASB/ED/2024/4. We appreciate the IASB's initiative to address the challenges entities face when presenting financial statements in hyperinflationary presentation currencies.

1. Filling a Crucial Gap in IAS 21:

We commend the IASB for addressing the gap in IAS 21 regarding hyperinflationary presentation currencies. The current standard adequately handles functional currency hyperinflation through IAS 29, but financial distortions occur when the presentation currency faces hyperinflation. The proposed amendment helps mitigate this by ensuring that entities accurately adjust their financials to reflect the real economic conditions in hyperinflationary environments.

2. Limited Number of Entities Affected Historically:

We understand that, historically, a limited number of entities have been affected by hyperinflation in their presentation currency. Companies operating in hyperinflationary economies often report in stable currencies such as USD, EUR, or GBP, rather than their local hyperinflationary currencies. However, as global investment in emerging markets grows, this issue becomes increasingly relevant for companies using local currencies as their presentation currency.

3. Potential Long-Term Impact:

While the number of companies currently impacted by hyperinflation in their presentation currency is limited, we believe the long-term impact of this amendment could be substantial. As global markets become more interconnected, companies operating in emerging markets may face increasing exposure to hyperinflationary conditions. This is particularly true in regions like Latin America (e.g., Argentina and Venezuela) and Africa, where economic instability and hyperinflation are more prevalent.

In these environments, the proposed amendment will help ensure that financial statements present a true and fair view of the company's financial performance and position by adjusting for the loss of purchasing power in the hyperinflationary presentation currency. This is critical for global investors who are increasingly allocating capital to emerging markets, where currency instability can significantly distort financial reports.

Moreover, the economic volatility we have seen in recent years may not be confined to historically unstable regions. As geopolitical shifts, climate change, and global inflationary pressures continue to affect economies worldwide, even traditionally stable regions may face sudden inflationary shocks. The relevance of this amendment could, therefore, extend beyond the immediate scope to address future hyperinflationary crises in unexpected areas.



By ensuring that financial statements are adjusted for hyperinflation, the amendment will boost comparability across global entities, improve the reliability of financial information, and support investor confidence in markets that might otherwise be seen as risky or unstable.

4. Applicability for Multinational Companies:

For multinational companies operating in hyperinflationary economies but presenting their financials in stable currencies like USD or EUR, the direct impact of this amendment may be minimal. These entities typically avoid the distortions caused by hyperinflation in their presentation currency by opting for a stable global currency.

However, the amendment becomes highly relevant for entities that operate in local hyperinflationary economies and are required or prefer to report in their local currency. For example, companies in Argentina and Venezuela often need to report in Argentinian pesos or Venezuelan bolívares, respectively, which have been subject to significant hyperinflationary pressures. Without proper restatement, these companies would risk presenting misleading financials, making it difficult for stakeholders to assess their true performance and financial health.

We also believe that the IASB could provide further guidance for multinational entities on when it might be more appropriate to use a stable presentation currency versus continuing with a hyperinflationary local currency. ***Clearer guidelines in this regard would help companies navigate regulatory requirements and investor expectations while maintaining transparency and reliability in their reporting.***