Tentative Agenda Discussion – IASB

Assessing Indicators of Hyperinflationary Economies (IAS 29)

Issues raised & comments sought :

a. whether all indicators in paragraph 3 of IAS 29 should be considered in assessing when an economy becomes hyperinflationary, including whether to continue to consider all indicators even when one indicator in paragraph 3 has been met;

b. whether IAS 29 requires the consideration of indicators other than those listed in paragraph 3 of IAS 29 when relevant; and

c. whether IAS 29 requires both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to conclude consistently on when an economy becomes hyperinflationary.

Comments

Responses to Queries

a) Multiple indicators are considered in assessing when an economy becomes hyperinflationary. A single measure – even though quantitative , may place undue emphasis and removes the room for exercising judgment . However, IASB may consider placing greater weight to one or more indicators in particular situations. It may be noted that cumulative inflation rate is one of the indicators, but even if it is exceeded, <u>it is not conclusive to determine hyperinflation and other factors need to be considered.</u>
Hence <u>all indicators</u> in para 3 of IAS 29 may be considered even if any one or more indicator is met.

b) IAS 29 Para 3 may include the following additional indicators, apart from the existing 5 indicators :

Additional indicators

1. Central bank of the country (whose currency is the functional currency of the Reporting entity) printing excessive money.

2. Surge in prices for essential goods such as food and fuel as demand outpaces supply.
3. Inflation higher than 5% is considered high inflation. <u>Inflation of 50% or more per month may be an additional indicator of hyperinflation</u>
4. Reported cases of hoarding goods (such as food) by the general population .

C) Both subsidiary in its SFS and Parent in its CFS should conclude consistently when an economy becomes hyperinflationary.