Ernakulam branch of the SIRC of ICAI

ED/Ind AS 21/2023/3

Exposure Draft
Lack of Exchangeability
Amendments to Ind AS 21

Amendments to Ind AS 21, *The Effects of Changes in Foreign exchange Rates*

A

. A currency is *exchangeable* into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations

Comments: A currency is exchangeable into another currency when an entity is able to obtain the other currency that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

The words "within a time frame" is not relevant, unless there exists a pre-condition that a currency shall not be exchangeable after a point of time. In the normal course, a currency is valid unless specifically invalidated or cancelled by any law or order specifically passed by that country.

B

8A An entity assesses whether a currency is exchangeable into another currency:
(a) at a measurement date; and
(b) for a specified purpose.

8B If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency

Comments

The ability to convert at a measurable date is understandable. However, whether it is "for a specified purpose" is not important, as the once a currency is freely exchangeable in that country, it can be used for all legal purposes. The condition that it should be for a specified purpose only is limiting the exchangeability and putting a high restriction on its free use, which is unwarranted.

C.

60M In applying *Lack of Exchangeability*, an entity shall not restate comparative information. Instead:

(a) when the entity reports foreign currency transactions in its functional currency, and, at the date of initial application, concludes that its functional currency is not exchangeable into the foreign currency or, if applicable, concludes that the foreign currency is not exchangeable into its functional currency, the entity shall, at the date of initial application:

(i) translate affected foreign currency monetary items, and non-monetary items measured at fair value in a foreign currency, using the estimated spot exchange rate at that date; and

(ii) recognise any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings.

(b) when the entity uses a presentation currency other than its functional currency, or translates the results and financial position of a foreign operation, and, at the date of initial application, concludes that its functional currency (or the foreign operation's functional currency) is not exchangeable into its presentation currency or, if applicable, concludes that its presentation currency is not exchangeable into its functional currency (or the foreign operation's functional currency), the entity shall, at the date of initial application:

(i) translate affected assets and liabilities using the estimated spot exchange rate at that date;

(ii) translate affected equity items using the estimated spot exchange rate at that date if the entity's functional currency is hyperinflationary; and

(iii) recognise any effect of initially applying the amendments as an adjustment to the cumulative amount of translation differences—accumulated in a separate component of equity.

Comments

In addition to the above, the entity shall also be required to disclose the details of the reasons for non-exchangeability or restrictions imposed in the exchangeability of the functional currency into presentation currency or vice-versa for the benefit of uses of financial information.