IAS 29 Financial Reporting in Hyperinflationary Economies

INDICATORS OF HYPERINFLATION

Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period
- Interest rates, wages and prices are linked to a price index
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

SCOPE

IAS 29 is applied to the individual financial statements, and the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

RESTATEMENT OF FINANCIAL STATEMENTS - HYPERINFLATIONARY ECONOMIES

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period. Corresponding figures in relation to prior periods are also restated. The gain or loss on the net monetary position is included in profit or loss and separately disclosed.
For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders where you can find full lists of regional and country contacts.

Europe
Caroline Allouët  France  caroline.allouet@bdo.fr
Jens Freiberg  Germany  jens.freiberg@bdo.de
Teresa Morahan  Ireland  tmorahan@bdo.ie
Ehud Greenberg  Israel  ehudg@bdo.co.il
Ruud Vergoossen  Netherlands  ruud.vergoossen@bdo.nl
Reidar Jensen  Norway  reidar.jensen@bdo.no
Maria Sukonkina  Russia  m.sukonkina@bdo.ru
René Kruegel  Switzerland  rene.kruegel@bdo.ch
Brian Creighton  United Kingdom  brian.creighton@bdo.co.uk

Asia Pacific
Wayne Basford  Australia  wayne.basford@bdo.com.au
Zheng Xian Hong  China  zheng.xianhong@bdo.com.cn
Fanny Hsiang  Hong Kong  fanny.hsiang@bdo.com.hk
Khoon Yeow Tan  Malaysia  tanky@bdo.my

Latin America
Marcelo Canetti  Argentina  mcanetti@bdoargentina.com
Luis Pierrend  Peru  lpierrend@bdo.com.pe
Ernesto Bartesaghi  Uruguay  ebartesaghi@bdo.com.uy

North America & Caribbean
Armand Capisciolto  Canada  acapisciolto@bdo.ca
Wendy Hambleton  USA  whambleton@bdo.com

Middle East
Arshad Gadit  Bahrain  arshad.gadit@bdo.bh
Antoine Gholam  Lebanon  agholam@bdo-lb.com

Sub Saharan Africa
Nigel Griffith  South Africa  ngriffith@bdo.co.za

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