



IFRS AT A GLANCE
IFRIC 7 *Applying the Restatement Approach*
under IAS 29 Financial Reporting in
Hyperinflationary Economies



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BACKGROUND AND ISSUE

IFRIC 7 provides guidance on how to apply the requirements of IAS 29 Reporting in Hyperinflationary Economies in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with IAS 29.

The questions addressed in IFRIC 7 are:

- ▶ How should the requirement stated in terms of the measuring unit current at the end of the reporting period in paragraph 8 of IAS 29 be interpreted when an entity applies IAS 29?
- ▶ How should an entity account for opening deferred tax items in its restated financial statements?

CONSENSUS












- ▶ In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity applies the requirements of IAS 29 as if the economy had always been hyperinflationary
- ▶ For non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements is restated to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period
- ▶ For non-monetary items carried in the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence (e.g. revalued assets), that restatement reflects instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period
- ▶ At the end of the reporting period, deferred tax items are recognised and measured in accordance with IAS 12 Income Taxes. However, the deferred tax figures in the opening statement of financial position for the reporting period are determined as follows:
 - The entity remeasures the deferred tax items in accordance with IAS 12 after it has restated the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date
 - The deferred tax items remeasured are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.
- ▶ The entity applies the approach above in restating the deferred tax items in the opening statement of financial position of any comparative periods presented in the restated financial statements for the reporting period in which the entity applies IAS 29
- ▶ After an entity has restated its financial statements, all corresponding figures in the financial statements for a subsequent reporting period, including deferred tax items, are restated by applying the change in the measuring unit for that subsequent reporting period only to the restated financial statements for the previous reporting period.

Contact

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EUROPE

| | | |
|-----------------------|--|--|
| Anne Catherine Farlay |  France | annecatherine.farlay@bdo.fr |
| Jens Freiberg |  Germany | jens.freiberg@bdo.de |
| Teresa Morahan |  Ireland | tmorahan@bdo.ie |
| Ehud Greenberg |  Israel | ehudg@bdo.co.il |
| Stefano Bianchi |  Italy | stefano.bianchi@bdo.it |
| Roald Beumer |  Netherlands | roald.beumer@bdo.nl |
| Reidar Jensen |  Norway | reidar.jensen@bdo.no |
| Leonid Sidelkovskiy |  Russia | L.Sidelkovskiy@bdo.ru |
| David Cabaleiro |  Spain | david.cabaleiro@bdo.es |
| René Füglistner |  Switzerland | rene.fueglistner@bdo.ch |
| Moses Serfaty |  United Kingdom | moses.serfaty@bdo.co.uk |




SUB SAHARAN AFRICA



| | | |
|------------------|--|--|
| Theunis Schoeman |  South Africa | tschoeman@bdo.co.za |
|------------------|--|--|

NORTH AMERICA &







| | | |
|--------------------|--|--|
| Armand Capisciolto |  Canada | acapisciolto@bdo.ca |
| Wendy Hambleton |  USA | whambleton@bdo.com |


LATIN AMERICA

| | | |
|--------------------|---|--|
| Marcello Canetti |  Argentina | mcanetti@bdoargentina.com |
| Victor Ramirez |  Colombia | vramirez@bdo.com.co |
| Ernesto Bartesaghi |  Uruguay | ebartesaghi@bdo.com.uy |

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

ASIA PACIFIC

| | | |
|----------------|---|--|
| Aletta Boshoff |  Australia | aletta.boshoff@bdo.com.au |
| Hu Jian Fei |  China | hu.jianfei@bdo.com.cn |
| Fanny Hsiang |  Hong Kong | fannyhsiang@bdo.com.hk |
| Pradeep Suresh |  India | pradeepsuresh@bdo.in |
| Khoon Yeow Tan |  Malaysia | tanky@bdo.my |
| Ng Kian Hui |  Singapore | kianhui@bdo.com.sg |



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