

**IFRIC 7**

# Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

In November 2005 the International Accounting Standards Board issued IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*. It was developed by the Interpretations Committee.

IFRIC 7

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*from paragraph*

**IFRIC INTERPRETATION 7  
APPLYING THE RESTATEMENT APPROACH UNDER IAS 29  
FINANCIAL REPORTING IN HYPERINFLATIONARY  
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**BASIS FOR CONCLUSIONS**

IFRIC Interpretation 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (IFRIC 7) is set out in paragraphs 1–6. IFRIC 7 is accompanied by an illustrative example and a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

## **IFRIC Interpretation 7** ***Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies***

### **References**

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- IAS 12 *Income Taxes*
- IAS 29 *Financial Reporting in Hyperinflationary Economies*

### **Background**

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- 1 This Interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies<sup>1</sup> 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.

### **Issues**

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- 2 The questions addressed in this Interpretation are:
- (a) 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 the Standard?
  - (b) how should an entity account for opening deferred tax items in its restated financial statements?

### **Consensus**

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- 3 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 shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to 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 shall be 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, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

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<sup>1</sup> The identification of hyperinflation is based on the entity’s judgement of the criteria in paragraph 3 of IAS 29.

- 4 At the end of the reporting period, deferred tax items are recognised and measured in accordance with IAS 12. However, the deferred tax figures in the opening statement of financial position for the reporting period shall be determined as follows:
- (a) 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.
  - (b) the deferred tax items remeasured in accordance with (a) 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 in (a) and (b) 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.

- 5 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.

### **Effective date**

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- 6 An entity shall apply this Interpretation for annual periods beginning on or after 1 March 2006. Earlier application is encouraged. If an entity applies this Interpretation to financial statements for a period beginning before 1 March 2006, it shall disclose that fact.

