



# **ED/2010/12**

## **Severe Hyperinflation**

### **Proposed amendments to IFRS 1**

Kai Haussmann

**Public Discussion**

Frankfurt, 1 October 2010



## 1. Background

- ED/2010/12 *Severe Hyperinflation: Proposed amendments to IFRS 1*
  - Published for public comment on 30 September 2010
  - Comments due on 30 November 2010
- Issue separated from the AIP project to ensure a more timely finalisation



## 2. The issue

- Entities with a functional currency subject to severe hyperinflation are unable to comply with IAS 29 and prepare financial statements in accordance with IFRSs
- If the entity's functional currency ceases to be a severely hyperinflationary currency, IFRSs lack guidance in how the entity should resume preparing financial statements under IFRSs
- The amendments do not relate to entities with an interest in an entity subject to severe hyperinflation (entities not within the scope of IFRS 1) because it is the Board's understanding that this is not a significant or widespread issue for entities with such interests as they have generally been able to find appropriate existing guidance in IFRSs



### 3. Proposed amendments (1)

- When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure assets and liabilities at fair value on the date of transition to IFRSs and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.
- The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:
  - a reliable general price index is not available to all entities with transactions and balances in the currency
  - exchangeability between the currency and a relatively stable foreign currency does not exist



### 3. Proposed amendments (2)

- Functional currency normalisation date:  
The date when the functional currency ceases to be subject to severe hyperinflation, which is when
  - the functional currency no longer has either, or both, of the before-mentioned characteristics, or
  - there is a change in the entity's functional currency not subject to severe hyperinflation

**Thank you very much for your attention!**

**WP/StB Kai Haussmann**

DRSC e.V.  
Zimmerstr. 30  
10969 Berlin

Tel. 030 20 64 12 14  
Fax 030 20 64 12 15

[www.drsc.de](http://www.drsc.de)  
[haussmann@drsc.de](mailto:haussmann@drsc.de)