
IAS - 29

Financial Reporting in
Hyperinflationary
Economies

International Accounting Standard No 29 (IAS 29)
Financial reporting in hyperinflationary economies

Scope

1. **This Standard applies to financial statements and consolidated financial statements of an entity whose functional currency is the currency of a hyperinflationary economy.**
2. It is useful, in the midst of a hyperinflationary economy; present the results of operations and financial position in the local currency, without subjecting them to a restatement process. In such economies, the currency loses purchasing power at a rate such that any comparison is misleading figures from transactions and other events at different points in time, even within a year.
3. This Standard does not establish an absolute rate of inflation to consider that when overcome, there is a state of hyperinflation. It is, rather, a problem of criteria to judge when it becomes necessary to restate the financial statements in accordance with this Standard. The state of hyperinflation is indicated by the characteristics of the country's economic environment, which include, but are not limited to, the following:
 - (a) the general population prefers to keep its wealth in the form of non-monetary assets or in a relatively stable foreign currency, while the amounts of local currency obtained are immediately invested to maintain purchasing power of the latter;
 - (b) the general population does not take into consideration the monetary amounts in local currency terms, but does so in terms of another currency relatively stable prices can be set in this currency;
 - (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the adjournment, even if the period is short;
 - (d) interest rates, wages and prices are linked to the evolution of a price index and
 - (e) the cumulative rate of inflation over three years approaches or exceeds 100%.
4. It is preferable that all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Notwithstanding the foregoing, this Standard is applicable to any entity's financial statements since the beginning of the year in which they identified the existence of hyperinflation in the country whose currency provides the information.

The restatement of financial statements

5. Prices, whether general or specific, change over time as a result of various economic and social forces. The forces acting on the specific market for each product, such as changes in supply and demand or technological change can cause significant increases or decreases in prices, regardless of how the other prices. Moreover, the general causes can result in a change in the general price level and therefore in the general purchasing power of currency.
6. Entities financial statements prepared on historical cost accounting assumptions will in this way, regardless of changes in the general price level or the higher prices of specific assets or liabilities recognized. The exceptions to this are those assets and liabilities for

which the entity is required to assess the fair value or for which it chooses to do. For example, tangible assets may be revalued to fair value of biological assets are usually required to be valued at fair value. However, some organizations present their financial statements based on current cost approach that reflects the effects of changes in specific prices of assets owned.

7. In a hyperinflationary economy, financial statements, whether made under the historical cost basis or at current cost, only useful if they are expressed in terms of units of assessment to the current balance sheet date. Therefore, this Standard is applicable to the financial statements of the entities that developed and presented in the currency of a hyperinflationary economy. Not be submitting the information required by this Standard as a supplement to restate financial statements without. Moreover, it discourages the filing of separate financial statements prior to its restatement.
8. **The financial statements of an entity whose functional currency is that of a hyperinflationary economy, whether the method is based on historical cost or current cost method, to be expressed in terms of the measuring unit current at the date of closure the year under report. Both the comparative figures for the previous year, as required by IAS 1 Presentation of Financial Statements (revised 2007) as information relating to prior periods, should also be expressed in terms of the measuring unit current at the end of the year on to be reported. To present comparative amounts in a different presentation currency shall apply paragraphs 42 (b) and 43 of IAS 21 - The Effects of changes in exchange rates of foreign currency.**
9. **Losses or gains from the net monetary position should be included in income for the year, revealing this information in a separate.**
10. The restatement of financial statements in accordance with this Standard requires the application of certain principles, as well as trials to make them work. The uniform application of such principles and judgments, from one year to another is more important than the accuracy of the figures that as a result of the restatement, to appear in the financial statements.

Financial statements at historical cost

Statement of financial position

11. The figures in balance yet in terms of the current unit value at the balance sheet date are applied restate a general price index.
12. Monetary items are not restated because they are expressed in the current unit value at the balance sheet date. Monetary items are cash balances held and to receive or pay cash.
13. Assets and liabilities linked by agreement or agreements, changes in prices, such as indexed bonds or loans, are adjusted according to the agreement or convention to express the amount outstanding at the balance sheet date. These items are recorded in the restated balance sheet for the amount calculated in this way.

14. All other assets and liabilities are non-monetary. Some non-monetary values shall be recorded in the current year-end reporting, such as the net realizable value or fair value, so no need restated. All other assets and liabilities are restated.
15. Most non-monetary assets are recorded at cost or at cost less depreciation and therefore are expressed at amounts current at their date of acquisition. The cost of each item restated, or cost less depreciation, is defined by its historical cost and accumulated depreciation, the change of a general price index from the date of acquisition until the end of the period under report. For example, tangible assets, stocks of raw materials and goods, goodwill, patents, trademarks and other similar assets, will restate from the date of acquisition. The inventory of ongoing and finished products will restate from the date you incurred the costs of buying and processing.
16. The records of the dates of acquisition of the elements of the tangible assets are not available, and sometimes it is not feasible to estimate. In such circumstances it may be necessary, for the first year of implementation of this Standard, to use an independent valuation of a professional respect of such items and to serve as a basis for their restatement.
17. May not be available a general price index refers to the period for which, according to this standard will require the restatement of tangible fixed assets. In such circumstances, it may be necessary to use an estimate based, for example, movements in the exchange rate between the functional currency and a relatively stable foreign currency.
18. Some non-monetary items are carried as current values at different times than the stock or the acquisition, for example, this can occur when the components of tangible assets were revalued at a previous date. In such cases, the books will restate amounts from the date of revaluation.
19. When the restated amount of a non-monetary exceeds its recoverable amount is reduced according to the appropriate standards and interpretations. For example, the restated amount of tangible fixed assets, goodwill, patents and trademarks will be reduced to its recoverable amount and the amounts restated for the stock is reduced to its net realizable value
20. An enterprise which is counted by the method of participation, you can report in the currency of a hyperinflationary economy. The statement of financial position and status of the overall result of this is shared according to restate this rule to calculate the investor's participation in its net assets and results. Where the restated financial statements of the investee are in a foreign currency are converted using the exchange rates of closure.
21. Generally, the impact of inflation is recognized in the financial costs of borrowing. It is not appropriate to proceed simultaneously to restate disbursements for investments financed with loans and, simultaneously, capitalizing on the part of the financial costs that compensates the lender for inflation in that period. This part of the financial cost is recognized as an expense in the year incurred in the same.
22. An entity may acquire assets through an agreement allowing it to defer payments, without explicitly accounting for a charge for interest. When it is not possible to separate the amount of implicit interest, such assets would restate using dates of payment and

not acquisition.

23. [Deleted]

24. At the beginning of the first year of implementation of this Standard, the components of equity, except retained earnings and reserves for revaluation of assets, restate applying a general price index to the various items, from the dates on which were made, or from the time they came in any other way. For its part, any revaluation surplus that arose before will be removed and the amounts of retained earnings will be determined based on the remaining items, as restated, of the balance sheet.

25. At the end of the first year of implementation and in subsequent years, it shall restate all the components of net assets by applying a general price index to the items since the beginning of the period or since the date of contribution, if later. The movements during the exercise, in equity are presented in accordance with IAS 1.

Income Statement

26. This standard requires that all items in the income statement are expressed in the monetary unit current at the balance sheet date. For this reason, all amounts need to be restated by using the variation experienced by the general price index from the date on which income and expenditures were initially recorded.

Losses and gains from net monetary position

27. Over a period of inflation, any entity that maintains an excess of monetary liabilities over monetary assets, lost purchasing power, and any entity that maintains an excess of monetary liabilities over monetary assets, gain purchasing power, provided that such items are not subject to a price index. These gains or losses arising from the net monetary position may be determined as the algebraic sum, considering this is the sign of the quantities of all adjustments made for restatement of items for non-monetary assets, equity, the state of the overall result and corrections of the assets and liabilities indexed. This gain or loss can be estimated also by applying the change in the overall index price to the weighted average for the year, the difference between monetary assets and liabilities.

28. The loss or gain resulting from net monetary position is included in income for the year. The adjustment in assets and liabilities indexed in accordance with paragraph 13 is offset by the gain or loss from net monetary position. Other income and expenses, such as income and expenses and exchange differences on foreign currency related to money lent or borrowed, are also associated with the net monetary position. Although these items are disclosed separately can be useful for presenting clustered with the gain or loss from net monetary position in the state of the overall result.

Financial statements at current cost

Statement of financial position

29. Items valued at current cost are not subject to restatement because they are already valued in terms of unit value in the current balance sheet date. Other BSIs restate as set out in paragraphs 11 to 25.

Income Statement

30. Generally, the income statement shows the current cost to current cost of items in the time the relevant transactions and events occurred. The cost of sales and depreciation costs are recorded as current at the time of consumption, sales and other expenses are recognized for their monetary amounts to be carried out. Therefore, all these items need to be restated in terms of the current unit value at the balance sheet date, and this is done by applying a general price index.

Losses and gains from net monetary position

31. Gains and losses resulting from net monetary position is calculated and presented in accordance with paragraphs 27 and 28.

Income taxes

32. The restatement of financial statements in accordance with this rule may result in differences between the carrying amount of individual assets and liabilities on the balance sheet and the corresponding tax bases. These differences are accounted for in accordance with IAS 12 Income Taxes.

Statements of Cash Flows

33. This Standard requires all items of the cash flow statement is restating the unit in terms of current valuation at the balance sheet date.

Figures for previous years

34. The figures for items from the previous year, and are based on the method of historical cost or current cost, it shall restate applying a general price index, so that the comparative financial statements are presented in terms of unit of measure current at the end of the year under report. The information to be disclosed with respect to prior periods is expressed in terms of the measuring unit current at the end of the year under report. For the purpose of presenting comparative amounts in a different presentation currency shall apply paragraphs 42 (b) and 43 of IAS 21.

Consolidated financial statements

35. A dominant company to report in the currency of a hyperinflationary economy may have subsidiaries that also provide information on coins hyperinflationary economies. The financial statements of such subsidiaries will need to be restated by applying a general price index for the country in whose currency the information presented, before the inclusion in the consolidated financial statements to be submitted by the parent. When the dependent is foreign, its financial statements were converted using the exchange rates of closure. The financial statements of subsidiaries that do not submit information in currencies of hyperinflationary economies are treated for accounting purposes as set out in IAS 21.
36. If financial statements are consolidated with the end of the exercises reported different, every game, whether or not monetary, need to be restated in the drive current to the

valuation date of the consolidated financial statements.

Selection and use of a general price index

37. The restatement of financial statements in accordance with this Standard requires the use of a general price index that reflects changes in general purchasing power of currency. It is preferable that all entities to report in the currency of the same economy use the same index.

Economies ceasing to be hyperinflationary

38. **When an economy ceases to be hyperinflationary and the entity ceases to preparing and presenting financial statements prepared in accordance with this standard, you must treat the figures given in the current unit value at end of year prior, as a basis for amounts of the items in its financial statements below.**
Information Disclosure

39. **will disclose the following information:**

(a) the fact that the financial statements and the corresponding figures for prior periods have been restated to consider changes in the general purchasing power of the functional currency and that, as results are expressed in the measuring unit current at the balance sheet date.

(b) whether the financial statements before restatement were prepared using the historical cost or current cost, and

(c) identification and value of the general price index at the balance sheet date, the movement of the same during the current and the previous one.

40. This Standard requires the disclosure of information necessary to make clear the basis of treating the effects of inflation on the financial statements. Furthermore, it has been attempting to provide the information necessary to understand these rules and the resulting quantities.

Effective Date

41. **This standard is effective for financial statements covering periods beginning on or after January 1, 1990.**