

# IFRS Accounting Standards discussion fora: IAS 29 *Financial Reporting in Hyperinflationary Economies*

2023  
Addis Ababa, Ethiopia



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## Aims

» Develop a more cohesive understanding of if, and if so, when to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* accounting in Ethiopia.

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## Applicable version of IFRS Accounting Standards

Unless specified otherwise, the accounting requirements that are the subject matter of this discussion forum are IFRS Accounting Standards as issued by the International Accounting Standards Board that are applicable for annual period beginning on or after 1 January 2023 without early applying new and amended IFRS Accounting Standards that have a later mandatory application date.

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» Issue 1: Criteria to apply IAS 29



**Issue 1: Criteria to apply IAS 29**

## Criteria to apply IAS 29 *What do you think?*

In an economy with hyperinflation, comparative information presented on a nominal basis does not provide useful information because of rapid changes in value of money.

Given the high inflation rate in Ethiopia, what is the possibility of applying IAS 29 *Financial Reporting in Hyperinflationary Economies*?

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## Criteria to apply IAS 29 *Summary of discussion*

Given the high inflation rate in Ethiopia, what is the possibility of applying IAS 29 *Financial Reporting in Hyperinflationary Economies*?

### Discussants' consensus view

- » Determination is based on functional currency of entity, not its jurisdiction
- » Determining whether a functional currency is hyperinflationary is generally an economy-level decision as opposed to an entity-level decision (IAS 29.4)
- » The Standard doesn't establish an absolute inflation rate, instead it notes that the decision is a matter of judgement, and it provides a list of indicators to consider (see next slide)

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## Criteria to apply IAS 29

### *Summary of discussion*

Given the high inflation rate in Ethiopia, what is the possibility of applying IAS 29 Financial reporting in hyperinflationary economies?

#### Discussants' consensus view

- » IAS 29 indicators:
  - » people hold wealth in non-monetary assets or foreign currency
  - » people measure value foreign currency (including pricing)
  - » credit priced to compensate for loss of purchasing power;
  - » interest rates, wages and prices linked to a price index; and/or
  - » cumulative inflation rate over three years is approaching, or exceeds, 100%

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