

New Zealand Equivalent to IFRIC Interpretation 7
Applying the Restatement Approach under
NZ IAS 29 *Financial Reporting in Hyperinflationary*
***Economies* (NZ IFRIC 7)**

Issued December 2005 and incorporates amendments up to and including 30 June 2011

This Interpretation was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in December 2005 under the Financial Reporting Act 1993. This Interpretation is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

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APPLYING THE RESTATEMENT APPROACH UNDER NZ IAS 19
FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES
(NZ IFRIC 7)**

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*

This table lists the pronouncements establishing and substantially amending NZ IFRIC 7. The table is based on amendments approved as at 30 June 2011.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IFRIC 7 <i>Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies</i>	Dec 2005 (Approval 77)	Early application encouraged	1 Jan 2007
Amendment to the <i>Framework for Differential Reporting</i>	Dec 2005 (Approval 76)	1 Jan 2005	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007 (Approval 94)	Early application permitted	1 Jan 2009
Omnibus amendments (2007-1)	Nov 2007 (Approval 95)	Early application permitted	1 Jan 2009

Table of Amended Paragraphs in NZ IFRIC 7		
Paragraph affected	How affected	By ... [date]
Various	Terminology changed	NZ IAS 1 [Nov 2007]
Paragraph 3	Amended	<i>Omnibus amendments</i> (2007-1) [Nov 2007]
NZ 3.1	Inserted	<i>Framework for Differential Reporting</i> [Dec 2005]
Paragraph 7	Deleted	<i>Omnibus amendments</i> (2007-1) [Nov 2007]

New Zealand Equivalent to IFRIC Interpretation 7 Applying the Restatement Approach under NZ IAS 29 *Financial Reporting in Hyperinflationary Economies* (NZ IFRIC 7) is set out in paragraphs 1–6 and the Appendix.

NZ IFRIC 7 is based on IFRIC 7 Applying the Restatement Approach under NZ IAS 29 *Financial Reporting in Hyperinflationary Economies* (IFRIC 7). NZ IFRIC 7 should be read in the context of the IFRIC's Basis for Conclusions on IFRIC 7 and the Illustrative Example for IFRIC 7. The scope and authority of Interpretations are set out in paragraphs 2 and 7–16 of the *Preface to International Financial Reporting Standards*.

Any additional material is shown with grey shading. The paragraphs are denoted with “NZ” and identify the types of entities to which the paragraphs apply.

Differential Reporting

Qualifying entities that elect to apply the taxes payable method as permitted by the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*, instead of accounting for income tax in accordance with NZ IAS 12 *Income Taxes* (NZ IAS 12), are not required to comply with NZ IFRIC 7 paragraph 4 and NZ IFRIC 7 paragraph 5 (insofar as NZ IFRIC 7 paragraph 5 relates to deferred tax).

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Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies (NZ IFRIC 7)

References

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

Background

- 1 This Interpretation provides guidance on how to apply the requirements of NZ IAS 29 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 NZ IAS 29.

Issues

- 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 NZ 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?

* The identification of hyperinflation is based on the entity’s judgement of the criteria in paragraph 3 of NZ IAS 29.

Consensus

- 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 NZ 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.

Qualifying Entities

NZ 3.1 Qualifying entities that elect to apply the taxes payable method as permitted by the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*, instead of accounting for income tax in accordance with NZ IAS 12, are not required to comply with NZ IFRIC 7 paragraph 4 and NZ IFRIC 7 paragraph 5 (insofar as NZ IFRIC 7 paragraph 5 relates to deferred tax).

- 4 At the end of the reporting period, deferred tax items are recognised and measured in accordance with NZ 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 NZ 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 NZ 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

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subsequent reporting period only to the restated financial statements for the previous reporting period.

Effective date

- 6 This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. For entities which elect to comply with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005 and before 1 January 2007, this Interpretation becomes operative for annual accounting periods beginning on or after 1 March 2006. Early application is encouraged. If an entity applies this Interpretation to a period beginning before 1 March 2006, it shall disclose that fact.

IFRIC Illustrative example

[This example accompanies but is not part of NZ IFRIC 7.]

IFRIC Basis for Conclusions

BC1–BC25 [Paragraphs BC1–BC25 do not form part of NZ IFRIC 7]

Appendix
Amendments to the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*

Entities shall apply the amendments in this appendix for annual periods beginning on or after 1 January 2007. When an entity complies with NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards for an annual accounting period beginning on or after 1 January 2005 and before 1 March 2006, the entity shall apply the amendments for annual accounting periods beginning on or after 1 January 2006. If an entity applies this Interpretation for an earlier period, the amendments shall be applied for that earlier period.

The amendments contained in this appendix have been incorporated into the relevant pronouncements published in this volume.

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