

NZ IAS 29 (Diff Rep)



**NZ International Accounting Standard 29 (Diff Rep)  
Financial Reporting in Hyperinflationary Economies  
(NZ IAS 29 (Diff Rep))**

**Issued November 2012**

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Standard are identical to the requirements in NZ IAS 29 *Financial Reporting in Hyperinflationary Economies* as applied by qualifying entities. Versions of NZ IAS 29 applied by qualifying entities prior to adoption of this Standard are available on the Archived Standards page of the External Reporting Board (XRB) website at [xrb.govt.nz](http://xrb.govt.nz)

The following New Zealand Interpretation refers to NZ IAS 29 (Diff Rep):

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

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NZ International Accounting Standard 29 (Diff Rep) *Financial Reporting in Hyperinflationary Economies* (NZ IAS 29 (Diff Rep)) is set out in paragraphs NZ 0.1–NZ 41.1. NZ IAS 29 (Diff Rep) is based on International Accounting Standard IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) (reformatted 1994) issued by the International Accounting Standards Committee (IASC) and adopted by the International Accounting Standards Board (IASB). All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. NZ IAS 29 (Diff Rep) should be read in the context of the IASB’s Basis for Conclusions on IAS 29 and the New Zealand *Conceptual Framework for Financial Reporting (Diff Rep)* (NZ Framework (Diff Rep)). NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any additional material is shown with grey shading and the paragraphs are denoted with “NZ”.

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## HISTORY OF AMENDMENTS

### Table of Pronouncements – NZ IAS 29 (Diff Rep) Reporting in Hyperinflationary Economies

This table lists the pronouncement establishing NZ IAS 29 (Diff Rep).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 29 (Diff Rep) Reporting in Hyperinflationary Economies	Nov 2012	Early application permitted	1 Dec 2012

### Table of Amended Paragraphs in NZ IAS 29 (Diff Rep)

Paragraph affected	How affected	By ... [date]
Paragraph NZ 0.1	Inserted	NZ IAS 29 (Diff Rep) [Nov 2012]
Paragraph 41	Deleted	NZ IAS 29 (Diff Rep) [Nov 2012]
Paragraph NZ 41.1	Inserted	NZ IAS 29 (Diff Rep) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IAS 29 as applied by qualifying entities prior to the issue of this Standard as NZ IAS 29 (Diff Rep).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 29 Reporting in Hyperinflationary Economies	Nov 2004	1 Jan 2005	1 Jan 2007
Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)	June 2005	1 Jan 2005	1 Jan 2007
NZ IAS 1 Presentation of Financial Statements (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009

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<b>Pronouncements</b>	<b>Date approved</b>	<b>Early operative date</b>	<b>Effective date (annual reporting periods... on or after ...)</b>
Minor Amendments to NZ IFRSs (2008-1)	Apr 2008	Early application permitted	1 June 2008
<i>Improvements to NZ IFRSs</i>	June 2008	Early application permitted	1 Jan 2009
Minor Amendments to NZ IFRSs	July 2010	Immediate	Immediate

<b>Table of Amended Paragraphs in NZ IAS 29</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraph 1	Amended	Minor Amendments (2008-1) [Apr 2008]
Paragraph 6	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 15	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 19	Amended	<i>Improvements to NZ IFRSs</i> [June 2008]
Paragraph 32	Amended	Minor Amendments (2008-1) [Apr 2008]

## **Introduction to NZ IAS 29 (Diff Rep)**

NZ IAS 29 (Diff Rep) is identical to NZ IAS 29 applied by qualifying entities prior to the issuance of NZ IAS 29 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ IAS 29 on adoption of this Standard.

The Standard addresses those situations where an entity is, or has a subsidiary that is, operating in a hyperinflationary economy.

### **Differential Reporting**

Qualifying entities must comply with all the provisions in NZ IAS 29 (Diff Rep).

## **NZ International Accounting Standard 29 (Diff Rep)**

### ***Financial Reporting in Hyperinflationary Economies (NZ IAS 29 (Diff Rep))***

#### **Scope**

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<b>NZ 0.1 This Standard applies only to Tier 3 for-profit entities.</b>
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- 1 **This Standard shall be applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.**
- 2 In a hyperinflationary economy, reporting of operating results and financial position in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.
- 3 This Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:
  - (a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
  - (b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
  - (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
  - (d) interest rates, wages and prices are linked to a price index; and
  - (e) the cumulative inflation rate over three years is approaching, 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. Nevertheless, this Standard applies to the financial statements of any entity from the beginning of the reporting period in which it identifies the existence of hyperinflation in the country in whose currency it reports.



## **The restatement of financial statements**

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- 5 Prices change over time as the result of various specific or general political, economic and social forces. Specific forces such as changes in supply and demand and technological changes may cause individual prices to increase or decrease significantly and independently of each other. In addition, general forces may result in changes in the general level of prices and therefore in the general purchasing power of money.
- 6 Entities that prepare financial statements on the historical cost basis of accounting do so without regard either to changes in the general level of prices or to increases in specific prices of recognised assets or liabilities. The exceptions to this are those assets and liabilities that the entity is required, or chooses, to measure at fair value. For example, property, plant and equipment may be revalued to fair value and biological assets are generally required to be measured at fair value. Some entities, however, present financial statements that are based on a current cost approach that reflects the effects of changes in the specific prices of assets held.
- 7 In a hyperinflationary economy, financial statements, whether they are based on a historical cost approach or a current cost approach, are useful only if they are expressed in terms of the measuring unit current at the end of the reporting period. As a result, this Standard applies to the primary financial statements of entities reporting in the currency of a hyperinflationary economy. Presentation of the information required by this Standard as a supplement to unrestated financial statements is not permitted. Furthermore, separate presentation of the financial statements before restatement is discouraged.
- 8 **The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by NZ IAS 1 (Diff Rep) *Presentation of Financial Statements* and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of NZ IAS 21 (Diff Rep) *The Effects of Changes in Foreign Exchange Rates* apply.**
- 9 **The gain or loss on the net monetary position shall be included in profit or loss and separately disclosed.**
- 10 The restatement of financial statements in accordance with this Standard requires the application of certain procedures as well as judgement. The consistent application of these procedures and judgements from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

## Historical cost financial statements

### Statement of financial position

- 11 Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index.
- 12 Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period. Monetary items are money held and items to be received or paid in money.
- 13 Assets and liabilities linked by agreement to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. These items are carried at this adjusted amount in the restated statement of financial position.
- 14 All other assets and liabilities are non-monetary. Some non-monetary items are carried at amounts current at the end of the reporting period, such as net realisable value and fair value, so they are not restated. All other non-monetary assets and liabilities are restated.
- 15 Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. For example, property, plant and equipment, inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly-finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred.
- 16 Detailed records of the acquisition dates of items of property, plant and equipment may not be available or capable of estimation. In these rare circumstances, it may be necessary, in the first period of application of this Standard, to use an independent professional assessment of the value of the items as the basis for their restatement.
- 17 A general price index may not be available for the periods for which the restatement of property, plant and equipment is required by this Standard. In these circumstances, it may be necessary to use an estimate based, for example, on the movements in the exchange rate between the functional currency and a relatively stable foreign currency.
- 18 Some non-monetary items are carried at amounts current at dates other than that of acquisition or that of the statement of financial position, for example property, plant and equipment that has been revalued at some earlier date. In these cases, the carrying amounts are restated from the date of the revaluation.
- 19 The restated amount of a non-monetary item is reduced, in accordance with appropriate NZ IFRS Diff Rep when it exceeds its recoverable amount. For

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example, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount and restated amounts of inventories are reduced to net realisable value.

- 20 An investee that is accounted for under the equity method may report in the currency of a hyperinflationary economy. The statement of financial position and statement of comprehensive income of such an investee are restated in accordance with this Standard in order to calculate the investor's share of its net assets and profit or loss. When the restated financial statements of the investee are expressed in a foreign currency they are translated at closing rates.
- 21 The impact of inflation is usually recognised in borrowing costs. It is not appropriate both to restate the capital expenditure financed by borrowing and to capitalise that part of the borrowing costs that compensates for the inflation during the same period. This part of the borrowing costs is recognised as an expense in the period in which the costs are incurred.
- 22 An entity may acquire assets under an arrangement that permits it to defer payment without incurring an explicit interest charge. Where it is impracticable to impute the amount of interest, such assets are restated from the payment date and not the date of purchase.
- 23 [Deleted by IASB]
- 24 At the beginning of the first period of application of this Standard, the components of owners' equity, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.
- 25 At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners' equity are disclosed in accordance with NZ IAS 1 (Diff Rep).

### **Statement of comprehensive income**

- 26 This Standard requires that all items in the statement of comprehensive income are expressed in terms of the measuring unit current at the end of the reporting period. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

### **Gain or loss on net monetary position**

- 27 In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net

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monetary position may be derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income and the adjustment of index linked assets and liabilities. The gain or loss may be estimated by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities.

- 28 The gain or loss on the net monetary position is included in profit or loss. The adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 13 is offset against the gain or loss on net monetary position. Other income and expense items, such as interest income and expense, and foreign exchange differences related to invested or borrowed funds, are also associated with the net monetary position. Although such items are separately disclosed, it may be helpful if they are presented together with the gain or loss on net monetary position in the statement of comprehensive income.

## **Current cost financial statements**

### **Statement of financial position**

- 29 Items stated at current cost are not restated because they are already expressed in terms of the measuring unit current at the end of the reporting period. Other items in the statement of financial position are restated in accordance with paragraphs 11 to 25.

### **Statement of comprehensive income**

- 30 The current cost statement of comprehensive income, before restatement, generally reports costs current at the time at which the underlying transactions or events occurred. Cost of sales and depreciation are recorded at current costs at the time of consumption; sales and other expenses are recorded at their money amounts when they occurred. Therefore all amounts need to be restated into the measuring unit current at the end of the reporting period by applying a general price index.

### **Gain or loss on net monetary position**

- 31 The gain or loss on the net monetary position is accounted for in accordance with paragraphs 27 and 28.

## **Taxes**

- 32 The restatement of financial statements in accordance with this Standard may give rise to differences between the carrying amount of individual assets and liabilities in the statement of financial position and their tax base. These

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differences are accounted for in accordance with NZ IAS 12 (Diff Rep) *Income Taxes*.

### **Statement of cash flows**

- 33 This Standard requires that all items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

### **Corresponding figures**

- 34 Corresponding figures for the previous reporting period, whether they were based on a historical cost approach or a current cost approach, are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of NZ IAS 21 (Diff Rep) apply.

### **Consolidated financial statements**

- 35 A parent that reports in the currency of a hyperinflationary economy may have subsidiaries that also report in the currencies of hyperinflationary economies. The financial statements of any such subsidiary need to be restated by applying a general price index of the country in whose currency it reports before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. The financial statements of subsidiaries that do not report in the currencies of hyperinflationary economies are dealt with in accordance with NZ IAS 21 (Diff Rep).
- 36 If financial statements with different ends of reporting periods are consolidated, all items, whether non-monetary or monetary, need to be restated into the measuring unit current at the date of the consolidated financial statements.

### **Selection and use of the 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. It is preferable that all entities that report in the currency of the same economy use the same index.

## **Economies ceasing to be hyperinflationary**

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- 38 **When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.**

## **Disclosures**

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- 39 **The following disclosures shall be made:**
- (a) **the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period;**
  - (b) **whether the financial statements are based on a historical cost approach or a current cost approach; and**
  - (c) **the identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.**
- 40 The disclosures required by this Standard are needed to make clear the basis of dealing with the effects of inflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts.

## **Effective date**

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- 41 [Deleted]

NZ 41.1 This Standard applies to annual periods beginning on or after 1 December 2012. Early application is permitted. This Standard replaces NZ IAS 29 as applied by qualifying entities prior to the issuance of this Standard. There are no changes to the requirements of NZ IAS 29 as it applied to qualifying entities.
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