

NZ IFRIC 7 (Diff Rep)



NZ ACCOUNTING
STANDARDS
BOARD

NZ IFRIC Interpretation 7 (Diff Rep)

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

Issued November 2012

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

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ IFRIC 7 *Applying the Restatements Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* as applied by qualifying entities. Versions of NZ IFRIC 7 applied by qualifying entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

NZ IFRIC 7 (Diff Rep)

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NZ IFRIC 7 (Diff Rep)

CONTENTS

NZ IFRIC INTERPRETATION 7 (Diff Rep)

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

Paragraphs

HISTORY OF AMENDMENTS

REFERENCES

BACKGROUND

1

ISSUES

2

CONSENSUS

3–5

EFFECTIVE DATE

6–NZ 6.1

IFRIC ILLUSTRATIVE EXAMPLE

IFRIC BASIS FOR CONCLUSIONS

NZ IFRIC 7 (Diff Rep)

HISTORY OF AMENDMENTS

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

This table lists the pronouncement establishing NZ IFRIC 7 (Diff Rep).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IFRIC 7 (Diff Rep) <i>Applying the Restatement Approach under NZ IAS 29 (Diff Rep) Financial Reporting in Hyperinflationary Economies</i>	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IFRIC 7 (Diff Rep)		
Paragraph affected	How affected	By ... [date]
Paragraph 6	Deleted	NZ IFRIC 7 (Diff Rep) [Nov 2012]
Paragraph NZ 6.1	Inserted	NZ IFRIC 7 (Diff Rep) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IFRIC 7 as applied by qualifying entities prior to the issue of this Interpretation as NZ IFRIC 7 (Diff Rep).

Pronouncements	Date approved	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	Early application encouraged	1 Jan 2007
Amendment to the <i>Framework for Differential Reporting</i>	Dec 2005	1 Jan 2005	1 Jan 2007

NZ IFRIC 7 (Diff Rep)

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
Omnibus amendments (2007-1)	Nov 2007	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]

NZ IFRIC 7 (Diff Rep)

NZ IFRIC Interpretation 7 (Diff Rep) *Applying the Restatement Approach under NZ IAS 29 (Diff Rep) Financial Reporting in Hyperinflationary Economies* (NZ IFRIC 7 (Diff Rep)) is set out in paragraphs 1–NZ 6.1.

NZ IFRIC 7 (Diff Rep) is based on IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* (IFRIC 7). NZ IFRIC 7 (Diff Rep) should be read in the context of the IFRIC’s Basis for Conclusions on IFRIC 7 and the Illustrative Example for IFRIC 7.

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

Differential Reporting

Qualifying entities that elect to apply the taxes payable method instead of accounting for income tax in accordance with NZ IAS 12 (Diff Rep) *Income Taxes* (NZ IAS 12 (Diff Rep)), are not required to comply with NZ IFRIC 7 (Diff Rep) paragraph 4 and NZ IFRIC 7 (Diff Rep) paragraph 5 (insofar as NZ IFRIC 7 (Diff Rep) paragraph 5 relates to deferred tax).

NZ to IFRIC Interpretation 7 (Diff Rep)

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

References

- NZ IAS 12 (Diff Rep) *Income Taxes*
- NZ IAS 29 (Diff Rep) *Financial Reporting in Hyperinflationary Economies*

NZ IFRIC 7 (Diff Rep) is identical to NZ IFRIC 7 applied by qualifying entities prior to the issuance of NZ IFRIC 7 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ IFRIC 7 on adoption of this Interpretation

Background

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

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 (Diff Rep) 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 (Diff Rep).

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 (Diff Rep) 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.

NZ 3.1 Qualifying entities that elect to apply the taxes payable method instead of accounting for income tax in accordance with NZ IAS 12 (Diff Rep), are not required to comply with NZ IFRIC 7 (Diff Rep) paragraph 4 and NZ IFRIC 7 (Diff Rep) paragraph 5 (insofar as NZ IFRIC 7 (Diff Rep) 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 (Diff Rep). 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 (Diff Rep) 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 (Diff Rep).

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

NZ IFRIC 7 (Diff Rep)

Effective date

6 [Deleted]

NZ 6.1	A Tier 3 for-profit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ IFRIC 7 as applied by qualifying entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ IFRIC 7 as it applied to qualifying entities.
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IFRIC Illustrative example

[This example accompanies but is not part of NZ IFRIC 7 (Diff Rep).]

IFRIC Basis for Conclusions

BC1–BC25 [Paragraphs BC1–BC25 do not form part of NZ IFRIC 7 (Diff Rep)]