

## NZ IFRIC 7 (PBE)



### **NZ IFRIC Interpretation 7 (PBE)**

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

**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 (PBE) Financial Reporting in Hyperinflationary Economies* as applied by public benefit entities. Versions of NZ IFRIC 7 applied by public benefit 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](http://xrb.govt.nz)

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**HISTORY OF AMENDMENTS**

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

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

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

<b>Table of Amended Paragraphs in NZ IFRIC 7 (PBE)</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraph 6	Deleted	NZ IFRIC 7 (PBE) [Nov 2012]
Paragraph NZ 6.1	Inserted	NZ IFRIC 7 (PBE) [Nov 2012]

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

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

<b>Table of Amended Paragraphs in NZ IFRIC 7</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
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 (PBE)

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

NZ IFRIC 7 (PBE) is based on IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* (IFRIC 7). NZ IFRIC 7 (PBE) 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. 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 instead of accounting for income tax in accordance with NZ IAS 12 (PBE) *Income Taxes* (NZ IAS 12 (PBE)), are not required to comply with NZ IFRIC 7 (PBE) paragraph 4 and NZ IFRIC 7 (PBE) paragraph 5 (insofar as NZ IFRIC 7 (PBE) paragraph 5 relates to deferred tax).

# **NZ to IFRIC Interpretation 7 (PBE)**

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

### **References**

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

NZ IFRIC 7 (PBE) is identical to NZ IFRIC 7 as applied by public benefit entities prior to the issuance of NZ IFRIC 7 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ IFRIC 7 on adoption of this Interpretation.

### **Background**

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

### **Issues**

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- 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 (PBE) be interpreted when an entity applies the Standard?
  - (b) how should an entity account for opening deferred tax items in its restated financial statements?

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

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### Consensus

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- 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 (PBE) 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 instead of accounting for income tax in accordance with NZ IAS 12 (PBE), are not required to comply with NZ IFRIC 7 (PBE) paragraph 4 and NZ IFRIC 7 (PBE) paragraph 5 (insofar as NZ IFRIC 7 (PBE) 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 (PBE). 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 (PBE) 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 (PBE).

- 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**

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6 [Deleted]

NZ 6.1	A public benefit 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 public benefit entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ IFRIC 7 as applied by public benefit entities.
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### **IFRIC Illustrative example**

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

### **IFRIC Basis for Conclusions**

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