

PBE IPSAS 10: FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

SCOPE

PBE IPSAS 10 is applied to the separate financial statements and the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

INDICATORS OF HYPERINFLATION

Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period.
- Interest rates, wages and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

RESTATEMENT OF FINANCIAL STATEMENTS - HYPERINFLATIONARY ECONOMIES

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period. Comparative figures in relation to prior periods are also restated. The surplus or deficit on the net monetary position is included in surplus or deficit and separately disclosed.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

All items in the Statement of Comprehensive Revenue and Expense are expressed in terms of the measuring unit current at the reporting date. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of revenue and expenses were initially recorded.

STATEMENT OF FINANCIAL POSITION

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.

SELECTION AND USE OF GENERAL PRICE INDEX

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.

Assets and liabilities linked by agreement to changes in prices are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period.

Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period.

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 market value, so they are not restated. All other non-monetary assets and liabilities are restated.

COMPARATIVES AND STATEMENT OF CASH FLOWS

All items in the Statement of Cash Flows are expressed in terms of the measuring unit current at the reporting date. Corresponding figures for the previous reporting period are restated by applying a general price index.

ECONOMIES CEASING TO BE HYPERINFLATIONARY

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with PBE IPSAS 10, it treats 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.

TIER 2 RDR REPORTERS

Tier 2 RDR Reporters must comply with PBE IPSAS 10 in full.