

# Lack of exchangeability (Amendments to IAS 21)

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 4  
December 2020

# Purpose of this session

---

Agenda ref 4

- Update ASAF members on the forthcoming proposed amendments to IAS 21 *The Effect of Changes in Foreign Exchange Rates—Lack of exchangeability*.
- Introduce the forthcoming Exposure Draft.

## Lack of Exchangeability

The exchange rate an entity uses when a currency's exchangeability is lacking

### Narrow-scope amendments to IAS 21 would:



1. Identify the circumstances in which exchangeability is lacking



2. Require estimation of spot exchange rate



3. Provide disclosures

#### Transition

Prospectively with no restatement of comparatives

#### Next steps



Publish Exposure Draft in Q1 2021



## 1. Identify the circumstances in which exchangeability is lacking

Exchangeability is lacking when, for a particular purpose, the entity is able to obtain **no more than an insignificant amount** of foreign currency

An entity considers

Timeframe to obtain the foreign currency

Ability to obtain the foreign currency, not intention

Markets or exchange mechanisms that create enforceable rights and obligations

Purpose

Reporting foreign currency transactions

Settle individual transactions, assets or liabilities

Translation to a different presentation currency

Realise net assets



## 2. Require estimation of spot exchange rate

### Objective of the estimation process

Foreign exchange rate that would have been:

- ✓ accessible at reporting date
- ✓ based on market transactions
- ✓ faithfully reflects economic conditions

### Other requirements

An entity applies the estimated exchange rate to:

- entire **transaction** or **balance**  
(when reporting foreign currency transactions)
- **financial statements as a whole**  
(when using presentation currency)

An entity can use an **observable rate** if that rate **meets the objective** of the estimation process and is either:

- a rate available for another purpose;
- or the first rate available at a date after the reporting date

# Narrow-scope amendments (3/3)

Agenda ref 4



## 3. Provide disclosures

### The entity would be required to disclose

Details of the currency and a description of the restrictions

Description of the transactions affected

Carrying amount of assets and liabilities denominated in the currency

The spot rate used and whether that rate is an observable rate or one that has been estimated

Description of the estimation technique applied, and qualitative and quantitative information about the inputs used

Information about risks to which the entity is exposed because of the currency's lack of exchangeability

Additional disclosures apply when a foreign operation's functional currency lacks exchangeability

# Question for ASAF members

---

Agenda ref 4

- Do ASAF members have any questions or comments on the Board's proposals?

# Find us online

---



[www.ifrs.org](http://www.ifrs.org)



IFRS Foundation | International Accounting Standards Board



@IFRSFoundation



IFRS Foundation



IFRS Foundation

Join our team: [go.ifrs.org/careers](http://go.ifrs.org/careers)