IFRS Accounting

Staff paper

Agenda reference: 12A

IASB® Meeting

Date	**June 2025**
Project	**Translation to a Hyperinflationary Presentation Currency**
Topic	**Disclosure for eligible subsidiaries and transition**
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Purpose and structure

1. As we explain in Agenda Paper 12, in this agenda paper we include our summary of the feedback, and our analysis and recommendations, about:

   (a) the proposed disclosure requirements included in the Exposure Draft *Translation to a Hyperinflationary Presentation Currency* (Exposure Draft) for an eligible subsidiary (a subsidiary that is permitted and elects to apply IFRS 19 *Subsidiaries without Public Accountability: Disclosures*) (paragraphs 2–16);

   (b) the proposed transition requirements included in the Exposure Draft for entities already applying IFRS Accounting Standards (paragraphs 17–30); and

   (c) the transition requirements for first-time adopters (paragraphs 31–37).

Proposed disclosure requirements for an eligible subsidiary

Summary of staff recommendations

2. We recommend:

   (a) finalising the proposals by requiring an eligible subsidiary that applies the proposed translation method to disclose the same information as entities that do not apply IFRS 19. Such an eligible subsidiary will disclose:

      (i) the fact that all amounts in its financial statements or the results and financial position of its foreign operations have been translated at the closing rate at the date of the most recent statement of financial position.

      (ii) the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy, if applicable.

      (iii) summarised financial information about the foreign operations to which it applied the proposed translation method.

   (b) following the International Accounting Standards Board's (IASB) tentative decision at its May 2025 meeting to introduce the exception (see paragraph 3(a) of Agenda Paper 12 of this meeting), requiring an eligible subsidiary that applies that exception to label the comparative summarised financial information of the foreign operations to show that the entity prepared the information by applying the same change in the general price index as it applied to other corresponding figures (see paragraph 3(b) of Agenda Paper 12 of this meeting).

Proposals

3. The IASB proposed to require an eligible subsidiary that applies the proposed translation method to disclose the same information that other entities that do not

apply IFRS 19 would be required to disclose. An eligible subsidiary would therefore be required to disclose:

(a) the fact that it applies the proposed translation method;

(b) summarised financial information about foreign operations translated applying the proposed translation method; and

(c) if the economy of the entity's presentation currency ceases to be hyperinflationary, that fact.

4. Paragraph BC28 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) explains the IASB's rationale for these proposals and states:

> As a consequential amendment, the IASB decided to propose that an eligible subsidiary…be required to disclose the same information, that, under the proposals, other entities applying IFRS Accounting Standards would be required to disclose. In particular:
>
> (a) *the disclosure requirements in … [paragraphs 3(a) and 3(c) of this paper]*—these disclosures would provide useful information about an eligible subsidiary's accounting policies (see paragraph BC33(d) of IFRS 19). These disclosures would be factual statements for which the cost of disclosing the information would be low.
>
> *(b)* *the disclosure requirement in … [paragraph 3(b) of this paper]*—for [the same reasons the IASB proposed to require summarised financial information for other entities], summarised financial information about the results and financial position of an eligible subsidiary's foreign operations would provide useful information in relation to the composition of amounts presented in the eligible subsidiary's financial statements. This information could also help users (particularly lenders) better understand the cash

flows of the foreign operation and consequently would provide useful information about the eligible subsidiary's short-term cash flows, commitments and obligations, and its solvency and liquidity (see paragraphs BC33(a) and (b) of IFRS 19). The IASB expects that this information is readily available to preparers (for example, for consolidation purposes).

Feedback

5. Most respondents agree (or do not disagree) with the proposed disclosure requirements for an eligible subsidiary subject to their comments about the proposed disclosure requirements for entities not applying IFRS 19 being considered.[1]

6. A few respondents disagree with the proposed disclosure for eligible subsidiaries, because:

    (a) they disagree with the proposed disclosures for other entities. The IASB discussed feedback on the proposed disclosure requirements for all other entities at its May 2025 meeting.

    (b) they disagree particularly with requiring eligible subsidiaries to disclose summarised financial information of a foreign operation to which the proposed translation method has been applied. These respondents say paragraphs B10 and B12 of IFRS 12 (which require an entity to disclose summarised financial information for some subsidiaries, joint ventures and associates) are not required for eligible subsidiaries. In their view, requiring such information in relation to the proposed amendments would result in excessive detail.

[1] The IASB discussed feedback on the proposed disclosure requirements for entities that do not apply IFRS 19 at its May 2025 meeting.

Staff analysis

7. We continue to agree with the IASB's proposal to require eligible subsidiaries to disclose the same information that entities that do not apply IFRS 19 would be required to disclose. This is for the reasons considered by the IASB (see paragraph 4). Feedback does not provide new evidence that disputes the IASB's reasons for its proposals.

8. With respect to the proposed disclosure requirement in paragraph 3(b) of this paper (summarised financial information), we acknowledge respondents' comments that the requirements in IFRS 12 *Disclosure of Interests in Other Entities* for an entity to disclose summarised financial information about some of its subsidiaries and its joint ventures or associates are not required for eligible subsidiaries.

9. However, the IASB considered this—that is, that IFRS 19 does not include the disclosure requirements in IFRS 12 for disclosure of summarised financial information—in developing the proposed amendments and respondents have not provided information the IASB has not previously considered. As we noted in paragraph 19(a) of Agenda Paper 12 to the IASB's March 2024 meeting:

> When proposing the requirement for an entity that is not an eligible subsidiary to disclose summarised financial information about a foreign operation, we considered that in some cases entities might already be disclosing the information applying the requirements in IFRS 12, which would reduce the overall cost of applying the disclosure requirement…. While the same rationale would not hold true for an eligible subsidiary, we think the cost of requiring an eligible subsidiary to disclose summarised financial information about a foreign operation will not be significant because an eligible subsidiary will already have the necessary financial information of the foreign operation for purposes of applying the translation method and including the foreign operation's results and financial position in its financial statements.

10. We also noted in paragraph 19(b) of Agenda Paper 12 to the IASB's March 2024 meeting that IFRS 19 requires an eligible subsidiary to disclose summarised financial information of a foreign operation subject to a lack of exchangeability (see paragraph 224(b) of IFRS 19).[2]

11. We also continue to agree with the IASB's rationale (see paragraph 4) that the benefits of requiring an eligible subsidiary to disclose summarised financial information of its foreign operation in the situation covered by the proposed amendments would outweigh the costs of preparing the information. Particularly, we note—consistent with the rationale in paragraph BC27 of the Basis for Conclusions—that these foreign operations are likely to have different characteristics and a different risk profile from the reporting entity's—that is, the eligible subsidiary's—other operations.

Alternative suggestions

12. Three respondents that agree with the proposed disclosures, and one that disagrees, suggest providing some flexibility or relief for eligible subsidiaries by requiring disclosure of less granular summarised financial information.

13. For entities that do not apply IFRS 19, the IASB proposed to not include additional requirements about the items of information required to satisfy the proposed disclosure requirement. This is because it considered that the principles of aggregation and disaggregation in paragraphs 41–43 of IFRS 18 *Presentation and Disclosure in Financial Statements* provide an adequate basis for an entity to determine the appropriate items of information to disclose. Paragraph 163 of IFRS 19 confirms that the requirements in paragraphs 41–43 of IFRS 18 remain applicable to eligible subsidiaries. We think that applying those paragraphs, an eligible subsidiary would also be able to determine the appropriate items of information to disclose. We note that the IASB also did not provide additional relief for an eligible subsidiary in respect

[2] *Lack of Exchangeability*, issued in August 2023, amended IAS 21 *The Effects of Changes in Foreign Exchange Rates*, adding new disclosure requirements to IAS 21. The amendments also added paragraphs 221–224 to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

of the requirement in paragraph 224(b) of IFRS 19 to disclose summarised financial information of a foreign operation subject to a lack of exchangeability.

Exception to translate comparative information

14. As we note in paragraph 3(b) of Agenda Paper 12 of this meeting, at its May 2025 meeting, the IASB tentatively decided to require an entity other than an eligible subsidiary that applies the exception to label the comparative summarised financial information of the foreign operation as being prepared applying the change in the general price index the entity has applied to other corresponding figures (see paragraphs 29–31 of Agenda Paper 12C for the IASB's May 2025 meeting). The IASB introduced this requirement to provide investors transparency about the basis on which the comparative summarised financial information has been prepared and to allow them to then translate that information to any non-hyperinflationary currency for further analysis.

15. Consistent with the IASB's rationale for introducing the requirement for an entity other than an eligible subsidiary, we think the IASB should also require an eligible subsidiary that applies the exception to label the comparative summarised financial information of the foreign operation to show that the entity prepared the information by applying the same change in the general price index as it applied to other corresponding figures.

Staff recommendation

16. We summarise our recommendations in paragraph 2.

Question to the IASB

Question 1—Disclosures by an eligible subsidiary
Does the IASB agree with our recommendations in paragraph 2?

Proposed transition requirements for entities already applying IFRS Accounting Standards

Summary of staff recommendations

17. We recommend:

(a) subject to (c), requiring an entity to apply the amendments retrospectively in accordance with IAS 8 *Basis of Preparation of Financial Statements*.

(b) not requiring an entity to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8 (or by paragraph 178(f) of IFRS 19).

(c) if an entity is in the scope of the exception (see paragraph 3(a) of Agenda Paper 12), requiring such an entity:

(i) to not apply the proposed translation method retrospectively to reporting periods before the effective date of the amendments but to instead restate the comparative information of its foreign operation with the same change in the general price index the entity applies to all other corresponding figures in accordance with paragraph 34 of IAS 29. That comparative information is the information provided for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies the amendments.

(ii) to label the comparative summarised financial information of the foreign operation prepared applying paragraph (c)(i) to show that the entity prepared the information by applying the same change in the general price index as it applied to other corresponding figures.

Proposals

18. The IASB proposed:

    (a) to require an entity to apply the amendments retrospectively in accordance with IAS 8; and

    (b) not to require an entity to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8 (or by paragraph 178(f) of IFRS 19).

19. Paragraph BC34 of the Basis for Conclusions explains why the IASB concluded that the benefits of retrospective application would outweigh the costs. As that paragraph explains, in the IASB's view:

    (a) the consistent application of the amendments throughout all periods presented would enhance the usefulness of information for investors; and

    (b) the inputs needed to apply the amendments retrospectively are expected to be readily available to entities at minimal or no additional cost (those inputs are the applicable financial information, such as comparative amounts in the currency of a non-hyperinflationary economy and the closing rate at the date of the most recent statement of financial position).

20. Paragraph BC36 explains the IASB's rationale for its proposal in paragraph 18(b) of this paper. In the IASB's view, the costs of requiring an entity to provide those disclosures would outweigh the expected benefits. This is because not exempting an entity from applying those disclosure requirements would result in an entity being required to maintain two translation methods solely to meet these disclosure requirements.

Feedback

21. Almost all respondents agree (or do not disagree) with the proposed transition requirements.

22. A few respondents suggest clarifying:

    (a) how (or whether) an entity restates amounts of equity accumulated over time at historical exchange rates; and

    (b) how (or whether) an entity restates or recalculates its opening balance of exchange differences accumulated in equity through other comprehensive income.

Staff analysis

23. Subject to our analysis in paragraphs 25–29, we continue to agree with the IASB's proposal for requiring an entity to apply the amendments retrospectively in accordance with IAS 8.

24. We disagree with respondents that suggest providing more guidance for the matters listed in paragraph 22. The IASB observed in paragraph BC34 of the Basis for Conclusions (see paragraph 19(b)) that the inputs required to apply the amendments retrospectively are the applicable financial information in the currency of a non-hyperinflationary economy and the closing rate at the date of the most recent statement of financial position. As proposed paragraph 41A of IAS 21 (which sets out the proposed translation method) notes, an entity would translate all amounts (ie assets, liabilities, equity items, income and expenses) from the non-hyperinflationary currency into the hyperinflationary presentation currency at the closing rate. Therefore, the effect of historic exchange rates and any consequential exchange differences that might have been accumulated in equity are not required inputs to determine the amounts upon or after application of the amendments.

Entity in the scope of the exception

25. As we noted in paragraph 3 of Agenda Paper 12, at its May 2025 meeting, the IASB tentatively decided to introduce the exception for an entity whose functional currency is hyperinflationary and applies IAS 29 and translates the results and financial position of a foreign operation, whose functional currency is non-hyperinflationary.

26. At initial application, an entity that applies the proposed translation method retrospectively and is in the scope of the exception would be required to:

    (a) translate comparative information of its foreign operation at the closing rate at the date of the statement of financial position at the end of the annual reporting period of that comparative information;

    (b) reperform its procedures (for example, consolidation) to include that comparative information of the foreign operation in its financial statements; and

    (c) applying the exception, restate all the comparative information (including that of the foreign operation) applying the change in the general price index it applies to corresponding figures in accordance with paragraph 34 of IAS 29.

27. The IASB tentatively decided to include the exception because of concerns that for an entity in the scope of the exception, applying the proposed translation method to prepare comparative information of its foreign operation would require the entity to reperform its procedures (for example, consolidation) to include the foreign operation in its financial statements. We think requiring an entity to apply the proposed translation method retrospectively would create similar challenges (see paragraph 26(b)).

28. We think it would be more cost-beneficial for an entity that is in the scope of the exception to simply restate all comparative information (including that of the foreign operation) by applying the general price index the entity applies to corresponding figures in accordance with paragraph 34 of IAS 29. Accordingly, an entity that is in the scope of the exception would not perform the steps noted in paragraphs 26(a) and 26(b). We accept that any diversity that previously existed in respect of how the comparative information was prepared (see paragraph BC3 of the Basis for Conclusions) would continue to be reflected in the comparative information for periods arising before the effective date of the amendments (discussed in Agenda Paper 12B). However, this would only be true in respect of comparative information

for those periods and would not be relevant for periods after the effective date of the amendments.

29. We think an entity that is in the scope of the exception should also—similar to the requirement discussed in paragraph 3(b) of Agenda Paper 12 of this meeting—label the comparative summarised financial information of the foreign operation to show that the entity prepared the information by applying the same change in the general price index as it applied to other corresponding figures. This disclosure requirement would apply to all entities in the scope of the exception—including eligible subsidiaries.

30. We summarise our recommendations in paragraph 17.

Question to the IASB

Question 2—Transition for entities already applying IFRS Accounting Standards
Does the IASB agree with our recommendations in paragraph 17?

Transition requirements for first-time adopters

Summary of staff recommendations

31. Consistent with the IASB's conclusions when developing the Exposure Draft, we recommend not exempting first-time adopters (as defined in IFRS 1 *First-time Adoption of International Financial Reporting Standards*) in relation to the amendments.

Proposals

32. As paragraph BC37 of the Basis for Conclusions explains, for reasons similar to those discussed in paragraph 19 of this paper, the IASB concluded that there is no reason to provide an exemption for first-time adopters.

Feedback

33. Almost all respondents agree (or do not disagree).

34. One respondent highlights a situation in which an entity has been through a cycle of hyperinflation in years prior to adopting IFRS Accounting Standards. The respondent says the integrity of information used to prepare the opening statement of financial position—and consequently, the usefulness of any resulting information—in such an economic environment might be questionable. The respondent therefore suggests exempting a first-time adopter from applying the amendments to its opening statement of financial position.

Staff analysis

35. We continue to agree with the IASB's conclusion that there is no reason to provide an exemption for first-time adopters.

36. We considered but think no specific exemption from retrospective application of the amendments is needed for first-time adopters in respect of the exception. Our recommendation in paragraph 17 for transition relief if an entity applies the exception aims to address the practical difficulties for an entity that applies IAS 29 and needs to prepare—and consequently would have to reperform procedures to include—the comparative information of its foreign operation in accordance with the amendments. Because a first-time adopter has not previously prepared and presented comparative information applying IFRS Accounting Standards, challenges around having to reperform procedures to prepare comparative information would not arise. In light of

the purpose of the exception, we think there is no reason to provide an exemption for first-time adopters that apply the exception.

Staff recommendation

37. We summarise our recommendation in paragraph 31.

Question to the IASB

Question 3—Transition for a first-time adopter
Does the IASB agree with our recommendation in paragraph 31?