
IFRS[®] Interpretations Committee meeting

Date **June 2025**
Project **Assessing Indicators of Hyperinflationary Economies (IAS 29)**
Topic **Comment letters on tentative agenda decision**
Contacts Dennis Deyssel (ddeysel@ifrs.org)

This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee). This paper does not represent the views of the International Accounting Standards Board (IASB), the Committee or any individual member of the IASB or the Committee. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*. The Committee's technical decisions are made in public and are reported in the IFRIC[®] *Update*.

Introduction

1. In November 2024, the IFRS Interpretations Committee (Committee) published a tentative agenda decision [*Assessing Indicators of Hyperinflationary Economies \(IAS 29\)*](#) in response to a submission about applying IAS 29 *Financial Reporting in Hyperinflationary Economies* to identify when an economy becomes hyperinflationary.
2. In this paper we:
 - (a) summarise and analyse comments on the tentative agenda decision; and
 - (b) ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure

3. This paper includes:
 - (a) [background](#) (paragraphs 5–7);
 - (b) [comment letter summary](#) (paragraph 8);
 - (c) [staff analysis](#) (paragraphs 9–27);

- (d) [staff recommendations](#) (paragraphs 28–30); and
 - (e) [questions for the Committee](#).
4. The [appendix](#) to this paper sets out the proposed wording of the agenda decision.

Background

5. The submission asked:
- (a) whether all indicators in paragraph 3 of IAS 29 should be considered in assessing when an economy becomes hyperinflationary, including whether to continue to consider all indicators even when one indicator in paragraph 3 has been met;
 - (b) whether IAS 29 requires the consideration of indicators other than those listed in paragraph 3 of IAS 29 when relevant; and
 - (c) whether IAS 29 requires both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to conclude consistently on when an economy becomes hyperinflationary.
6. Evidence gathered by the Committee indicated little, if any, diversity in understanding the requirements for assessing when an economy becomes hyperinflationary.
7. Based on its findings, the Committee concluded that these matters do not have widespread effect. Consequently, the Committee tentatively decided not to add a standard-setting project to the work plan.

Comment letter summary

8. We received 10 comment letters by the comment letter deadline.¹ All comment letters received are available on our [website](#). Most respondents agree with the Committee's conclusion that the matters raised in the request do not have widespread effect and to not add a standard-setting project to the work plan. We include more information about the comments received in our analysis.

Staff analysis

9. In this section we consider feedback on:
- (a) the indicators in paragraph 3 of IAS 29 (paragraphs 10–14);
 - (b) whether IAS 29 requires both a subsidiary and a parent to conclude consistently on when an economy becomes hyperinflationary (paragraphs 15–24); and
 - (c) the role of judgement in assessing whether an economy is hyperinflationary (paragraphs 25–27).

Indicators in paragraph 3 of IAS 29

Background

10. As the tentative agenda decision notes, evidence gathered by the Committee indicated that stakeholders:
- (a) do not conclude that an economy becomes hyperinflationary based solely on one of the indicators listed in paragraph 3 of IAS 29; and

¹ We received no late comment letters.

- (b) consider indicators other than those listed in paragraph 3 of IAS 29 when relevant.

Feedback summary

11. All respondents agree (or do not disagree) with these findings. A few respondents comment on the interrelationships between the indicators. For example:
 - (a) Mo Chartered Accountants (Zimbabwe) says IAS 29 does not specify whether all or only some of the indicators need to be present for an economy to be considered as hyperinflationary. The respondent says assessing whether an economy is hyperinflationary requires judgement and 'in all likelihood not only one of the mentioned factors will be present in any given economy that is experiencing hyperinflation'.
 - (b) Leveraged Growth (India) says in their view each indicator in paragraph 3 of IAS 29 provides a 'unique perspective on an economy's inflationary trends' and these indicators 'often influence and validate each other'.
12. Three respondents say that even though stakeholders consider all indicators listed in paragraph 3 of IAS 29 and other indicators in assessing whether an economy is hyperinflationary, different stakeholders (for example, international accounting and auditing firms and local standard-setters or local accounting bodies) might have different views on the weight to be given to the different indicators which, in their view, results in inconsistent application and consequently, inconsistent conclusions on whether an economy is hyperinflationary. These respondents say:
 - (a) in their experience greater weight is given to the quantitative indicator in paragraph 3(e) of IAS 29² in many situations or by particular types of stakeholders, like auditors;

² Paragraph 3(e) of IAS 29 *Financial Reporting in Hyperinflationary Economies* lists as the only quantitative indicator of hyperinflation, the economy's cumulative inflation rate over three years approaching, or exceeding, 100%.

- (b) because other indicators are not listed in paragraph 3 of IAS 29, the weighting placed on any other indicators might also be unduly less when compared to indicators that are listed in paragraph 3 of IAS 29; and
- (c) in light of (a) and (b) standard-setting is needed to effectively address inconsistencies.³

Analysis

13. We continue to agree with the Committee's observation on these matters. Feedback on the tentative agenda decision supports the Committee's findings of little, if any, diversity in understanding of the requirements—that is, stakeholders (a) do not consider an economy to be hyperinflationary based solely on one of the indicators listed in paragraph 3 of IAS 29; and (b) consider indicators other than those listed in paragraph 3 of IAS 29 when relevant. Consequently, we think the Committee can confirm its findings on these matters as noted in the tentative agenda decision.
14. Feedback in paragraph 12 also confirms the Committee's understanding that different stakeholders might give more weight to some indicators than others in some situations. (See paragraphs 15–19 of [Agenda Paper 2A](#) of the Committee's November 2024 meeting (November agenda paper).) We continue to think the fact that different stakeholders give different weightings to some indicators evidences the application of judgement rather than *diversity* in understanding the requirements of IAS 29. (See paragraph 30 of the November agenda paper.) While not directly relevant in answering the questions raised in the submission, we analyse in paragraphs 25–27 the role of judgement in assessing whether an economy is hyperinflationary and whether the Committee should make any changes to the agenda decision in this respect.

³ The [comment letter](#) from Forvis Mazars includes other matters that it suggests addressing with standard-setting. We only highlight those matters relevant to the matters identified in the submission.

Whether IAS 29 requires both a subsidiary and a parent to conclude consistently on when an economy becomes hyperinflationary

Background

15. As the tentative agenda decision notes evidence gathered by the Committee indicated stakeholders do not reach different conclusions at different levels within a group when applying IFRS Accounting Standards.
16. Paragraphs 23–24 of the November agenda paper reported findings from our outreach to stakeholders on this question. As those paragraphs note:
 23. ...respondents say they have observed in particular situations:
 - (a) a parent entity (which typically resides outside of the economy being considered for hyperinflation), in preparing consolidated financial statements, applying IAS 29 to the financial statements of a subsidiary that has a functional currency of a local economy that the parent entity assesses to be hyperinflationary (hyperinflationary subsidiary); and
 - (b) IAS 29 is not applied to the financial statements of the hyperinflationary subsidiary itself which are typically prepared for statutory local filings.
 24. These respondents say such differences typically arise due to the provisions of specific laws or regulations within the jurisdiction considered for application of IAS 29. These respondents said in these situations, the hyperinflationary subsidiary's financial statements are either:
 - (a) prepared with reference to a different or modified basis of preparation that refers to the provisions of the

specific law or regulation which has been applied in preparing those financial statements; or

- (b) if the basis of preparation refers to IFRS Accounting Standards, but does not comply with IAS 29, the audit report is modified.

Feedback summary

17. Eight respondents agree (or do not disagree) with the Committee's findings. Forvis Mazars—agreeing with the Committee's findings—suggest clarifying the reason for concluding that entities do not reach different conclusions at different levels within a group. In the situation described in paragraph 24(a) of the November agenda paper (quoted in paragraph 16 above), Forvis Mazars considers that the subsidiary's financial statements (that is, without the restatement) are prepared using a modified basis of preparation.
18. The Institute of Chartered Accountants of Ghana (ICAG)—also agreeing with the Committee's findings—says in their view a subsidiary operating within an economy under consideration and making its judgements as a separate entity from its parent, might justifiably reach different conclusions from those of its parent about whether the economy within which it operates is hyperinflationary.
19. Two respondents (Standard Bank and W. Consulting) disagree with the Committee's findings and say stakeholders reach different conclusions at different levels within a group when applying IFRS Accounting Standards. Both respondents list examples, similar to those mentioned by Forvis Mazars and those discussed in paragraph 23 of the November agenda paper (quoted in paragraph 16 above), of local bodies issuing laws or regulations on whether the economy is hyperinflationary in accordance with IAS 29 and international accounting and auditing firms issuing publications that reflect a different conclusion. They also say:

-
- (a) *Standard Bank*—the tentative agenda decision might imply that a basis of preparation that refers to the provisions of the specific law or regulation means that those financial statements does not comply with IAS 29. The respondent says this is not their understanding of the views of the local bodies—the local bodies would consider their judgement to comply with IAS 29.
- (b) *W. Consulting*—the differences in conclusions between local bodies and international accounting and auditing firms often lead to ‘a stalemate with respect to the approach that the reporting entities should take, with the result that reporting in the jurisdiction is often sans the application of IAS 29 and the hyperinflation-adjusted numbers used only for the purposes of preparing the group consolidation.’

Analysis

20. We think that the feedback and the examples provided confirm that stakeholders that prepare financial statements using the same basis of preparation do not reach different conclusions at different levels within a group about when an economy becomes hyperinflationary.
21. We acknowledge feedback suggesting that there are situations in which the financial statements of a subsidiary are prepared without IAS 29 restatements while the financial statements of that subsidiary are restated applying IAS 29 for purposes of the consolidated financial statements of the parent. However, this feedback is consistent with findings from our outreach request discussed in paragraph 24 of the November agenda paper (quoted in paragraph 16 above) and confirms that in these situations, the financial statements of the subsidiary and the financial statements of the parent are prepared using different basis of preparation.
22. Feedback also confirms that different conclusions at different levels of a group do not arise from diversity in understanding how the requirements in IAS 29 should be read and applied. Rather different conclusions arise from differences in judgement applied by stakeholders (eg local bodies and international accounting and auditing firms) on

the weighting to be given to the different indicators of a hyperinflationary economy, including indicators not listed in IAS 29 (see also paragraph 14 of this paper). In paragraphs 25–27 we discuss further the role of judgement in assessing whether an economy is hyperinflationary.

23. Feedback reflects mixed views on whether and to what extent the examples of differences or modifications in the basis of preparation of a subsidiary entity's financial statements in some situations reflects a departure from IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). We think the Committee would be unable to—nor is it the Committee's role to—comment on this matter.
24. Consequently, we think the Committee can confirm its findings on this matter as noted in the tentative agenda decision. However, to avoid any implications about whether and to what extent any modification to the basis of preparation on which any financial statements are prepared represent a departure from applying IFRS Accounting Standards as issued by the IASB, we recommend changing the wording of the Committee's observation in respect of this matter as follows (new text underlined and deleted text struck through):

(c) do not reach different conclusions at different levels within a group when preparing financial statements applying the same basis of preparation ~~applying IFRS Accounting Standards~~.

The role of judgement in assessing whether an economy is hyperinflationary

25. Feedback on all three accounting matters confirms that stakeholders, in applying paragraph 3 of IAS 29, use judgement and in doing so might give different weightings to the indicators they consider relevant to a particular economy—both listed and unlisted in IAS 29. This application of judgement might lead stakeholders to reach different conclusions about whether an economy is hyperinflationary. The application

of judgement is, however, not a difference in understanding of how to read and apply the requirements and does not, therefore, represent *diversity* in applying the requirements.

26. We noted in paragraph 30 of the November agenda paper that IAS 29 is silent about the weightings to give to indicators in making the judgement about whether an economy is hyperinflationary. The Committee members noted this potential area for improvement in IAS 29 when they provided input about their experiences and challenges in applying IAS 29 ([Agenda Paper 2B](#) of the Committee's November 2024 meeting). We reported this matter, and others, to the IASB at its in January 2025 meeting (see pages 14–15 of [Agenda Paper 8A](#)). The IASB plans to consult on a possible project about hyperinflation within its [Fourth Agenda Consultation](#).
27. Nonetheless, we think it would be useful to:
- (a) reference feedback confirming the role of judgement in applying paragraph 3 of IAS 29 in the agenda decision—see the appendix to this paper for suggested wording; and
 - (b) report to the IASB feedback on the tentative agenda decision related to the application of judgement in applying paragraph 3 of IAS 29 and resulting challenges to help inform the IASB's next agenda consultation.

Staff recommendation

28. Based on our analysis, we recommend finalising the agenda decision, as published in [IFRIC Update](#) in November 2024, with some changes to the wording of the tentative agenda decision as explained in our analysis (see paragraphs 24 and 27(a)) and marked in the appendix to this paper.
29. As paragraph 27(b) notes, we plan to report to the IASB feedback on the tentative agenda decision related to the application of judgement in applying paragraph 3 of IAS 29 and related challenges.

-
30. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee

Questions

1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 28?
2. Do Committee members have any comments on the wording of the agenda decision in the appendix to this paper?
3. Other than the matter we note in paragraph 29 of the paper, do Committee members have any feedback they would like to report to the IASB when it considers whether it objects to the agenda decision?

Appendix—proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (new text is underlined and deleted text is struck through).

Assessing Indicators of Hyperinflationary Economies (IAS 29 *Financial Reporting in Hyperinflationary Economies*)

The Committee received a request about applying IAS 29 to identify when an economy becomes hyperinflationary.

The request asked:

- a. whether all indicators in paragraph 3 of IAS 29 should be considered in assessing when an economy becomes hyperinflationary, including whether to continue to consider all indicators even when one indicator in paragraph 3 has been met;
- b. whether IAS 29 requires the consideration of indicators other than those listed in paragraph 3 of IAS 29 when relevant; and
- c. whether IAS 29 requires both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to conclude consistently on when an economy becomes hyperinflationary.

Findings

Evidence gathered by the Committee ~~to date~~ indicates little, if any, diversity in understanding the requirements for assessing when an economy becomes hyperinflationary. According to the evidence, stakeholders:

- a. do not conclude that an economy becomes hyperinflationary based solely on one of the indicators listed in paragraph 3 of IAS 29;
- b. consider indicators other than those listed in paragraph 3 of IAS 29 when relevant; and

- c. do not reach different conclusions at different levels within a group when preparing financial statements using the same basis of preparation ~~applying IFRS Accounting Standards~~.

Evidence gathered by the Committee indicates stakeholders use judgement in assessing the indicators in paragraph 3 of IAS 29 and might assign different weights to those, or other, indicators. The Committee observed that the application of judgement is not a difference in understanding of how to read and apply the requirements and does not represent diversity in applying the requirements.

Conclusion

Based on its findings, the Committee concluded that the matter described in the submission does not have widespread effect. Consequently, the Committee {decided} not to add a standard-setting project to the work plan.