

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 if relevant; and
- c. whether IAS 29 requires both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to reach the same conclusion on when an economy becomes hyperinflationary.

Findings

Evidence gathered by the Committee 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 for different levels within a group when preparing financial statements using the same basis of preparation.

Evidence gathered by the Committee indicates that stakeholders use judgement in assessing the indicators in paragraph 3 of IAS 29 and might assign different weights to those, or other, indicators.

Conclusion

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

Agenda paper 4: Report to the IASB

Feedback from Committee members and responses to the tentative agenda decision highlighted challenges in applying the requirements in paragraphs 3–4 of IAS 29 to assess when an economy becomes hyperinflationary. The Committee suggested that the IASB consider this feedback in assessing whether to add a project on hyperinflation to its workplan.