

How should companies account for hyperinflationary economies?

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Colin Martin
Partner
KPMG International

During times of economic uncertainty, many economies experience increased levels of inflation – and in some cases, hyperinflation. Companies with operations whose functional currency is that of a hyperinflationary economy should expect to apply IAS 29.

What's the issue?

Under IFRS® Standards, judgement is needed to determine when to apply hyperinflationary accounting.

Hyperinflationary accounting under IAS 29 *Financial Reporting in Hyperinflationary Economies* is relevant for the:

- financial statements of companies reporting under the Standards whose functional currencies are those of hyperinflationary economies; and
- consolidated financial statements of groups reporting under the Standards with foreign operations (e.g. a subsidiary, associate or joint arrangement) whose functional currencies are those of hyperinflationary economies.

Getting into more detail

Indicators of hyperinflation

Hyperinflation is indicated by the characteristics of an economy, 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 – amounts of local currency held are invested immediately to maintain purchasing power.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency – prices may be quoted in the stable currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching, or exceeds, 100 percent. [IAS 29.3]

Although the 100 percent numerical indicator is a key factor in identifying hyperinflation, it is not the only factor and should not be considered in isolation. Applying all of these factors could result in an economy being considered hyperinflationary when its three-year cumulative inflation rate is, for example, only 80 percent. IAS 29 is applied from the beginning of the reporting period in which the company identifies hyperinflation. [Insights 2.10.20.10–30]

Actions for management

Management need to keep track of all economies that are hyperinflationary and apply IAS 29 when necessary.

Based on our assessment under IAS 29, we currently consider the following economies to be hyperinflationary.

Hyperinflationary economies	Reporting periods for which companies should apply IAS 29	Sources of inflation data
Argentina	For reporting periods ending on or after 30 June 2018	<ul style="list-style-type: none"> World Economic Outlook (WEO) database on the International Monetary Fund (IMF) website
Islamic Republic of Iran	For reporting periods ending on or after 30 September 2020	<ul style="list-style-type: none"> The Statistical Center of Iran WEO database on the IMF website
Lebanon	For reporting periods ending on or after 30 September 2020	<ul style="list-style-type: none"> The Lebanese Central Administration of Statistics
South Sudan	For reporting periods ending on or after 31 December 2016	<ul style="list-style-type: none"> IMF estimates after 2019: WEO database on the IMF website
Sudan	For reporting periods ending on or after 31 December 2013	<ul style="list-style-type: none"> IMF estimates after 2019: WEO database on the IMF website
Suriname	For reporting periods ending on or after 31 December 2021	<ul style="list-style-type: none"> WEO database on the IMF website
Syria	Consult local or regional KPMG representative	<ul style="list-style-type: none"> The Syrian Central Bureau of Statistics
Turkey	For reporting periods ending on or after 30 April 2022	<ul style="list-style-type: none"> The Turkish Statistical Institute
Venezuela	For reporting periods ending on or after 31 December 2009	<ul style="list-style-type: none"> Central Bank of Venezuela IMF estimates after 2020: WEO database on the IMF website
Yemen	Consult local or regional KPMG representative	<ul style="list-style-type: none"> IMF estimates after 2020: WEO database on IMF website
Zimbabwe	For reporting periods ending on or after 30 September 2019	<ul style="list-style-type: none"> Reserve Bank of Zimbabwe Zimbabwe National Statistics Agency IMF estimates after 2019: WEO database on the IMF website

References to 'Insights' mean our publication **Insights into IFRS®**

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