Project	**Amendment to IAS 29 *Financial Reporting in Hyperinflationary Economies***
Topic	**Reporting in accordance with IFRSs after a period of severe hyperinflation**

Purpose of this paper

1. The purpose of this paper is to document the staff analysis and recommendations relating to a request received by the IFRS Interpretations Committee (Interpretations Committee) to clarify how an entity should resume presenting financial statements in accordance with IFRSs after a period of severe hyperinflation, during which it had been unable to comply with IAS 29 *Financial Reporting in Hyperinflationary Economies*.
2. The request identifies an entity whose functional currency is the currency of a hyperinflationary economy.
3. The entity is unable, for a period of time, to comply with IAS 29 and prepare financial statements in accordance with IFRSs, because the general price index relating to the entity's functional currency is unavailable, and the functional currency lacks exchangeability.
4. The request identifies this situation as 'chronic hyperinflation' (this agenda paper uses the term 'severe hyperinflation'). The request asks how such an entity should resume preparing financial statements under IFRS when the entity's functional currency subsequently ceases to be the currency of a severely hyperinflationary economy, specifically because the entity does not have IFRS-compliant comparative information.

5. The request notes the current applicability of this fact pattern when presenting IFRS financial statements for entities that previously had the Zimbabwe dollar (a currency that suffered from severe hyperinflation) as their functional currency, or when preparing consolidated financial statements for entities with an interest in such entities.

6. In the July 2010 meeting, the Interpretations Committee recommended that the Board should make a separate amendment to IAS 29 to address this issue, and to enable guidance to be issued on a timely basis in order to assist the jurisdiction identified in the request.

7. The Interpretations Committee also recommended that the Board should make consequential amendments that may be needed to other IFRSs (including, potentially, IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 27 *Consolidated and Separate Financial Statements*).

8. In response, this paper:

   (a) provides background information on this issue;

   (b) gives an overview of the amendment recommended by the Interpretations Committee;

   (c) assesses the amendment for inclusion as part of the *Annual Improvements Project*;

   (d) makes a staff recommendation on the draft wording for the proposed amendment to IAS 29; and

   (e) asks the Board whether they agree with the staff recommendation.

Background Information

9. At the May 2010 meeting[1], the Interpretations Committee noted that current IFRSs do not provide guidance relating to this issue, and that it is not possible to prepare financial statements in accordance with IFRSs during a period of severe hyperinflation.

10. The Interpretations Committee discussed the issue further in the July 2010 meeting[2]. Consequently, in the July 2010 IFRIC Update, the:

> The Committee reached a tentative decision that IAS 29 should be amended to provide guidance on how an entity shall prepare and present an opening statement of financial position at the date when the entity's functional currency ceases to be the currency of a chronic hyperinflationary economy.
>
> This guidance, which differs from the two approaches proposed in the request, would require the entity at that date to apply a new accounting basis and recognise and measure assets and liabilities using the guidance in IFRS 3 Business Combinations to reflect the new accounting basis, subject to certain exceptions, in particular with respect to the recognition of goodwill and the recognition of intangible assets that were not previously recognised. The entity would not be required to present comparative information in accordance with IFRSs, for periods before that date.
>
> The Committee also reached a tentative decision to amend IAS 27 Consolidated and Separate Financial Statements to provide guidance for a parent entity which has a subsidiary that has a functional currency that is the currency of a chronic hyperinflationary economy.
>
> The Committee tentatively decided that such a parent entity should derecognise its interest in the subsidiary, and recognise a new interest in accordance with the new accounting basis at the date on which the subsidiary's functional currency ceased to be the currency of a chronic hyperinflationary economy. Any difference should be recognised in profit or loss.

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[1] See Agenda Paper 12 of the May 2010 IFRS Interpretations Committee Meeting : http://www.iasb.org/Meetings/IFRIC+Meeting+6+May+2010.htm

[2] See Agenda Paper 12 of the July 2010 IFRS Interpretations Committee Meeting: http://www.ifrs.org/NR/rdonlyres/1A724598-8C0D-46F7-96A8-102DB050A108/0/1007obs12Ato12CIAS29.pdf

Staff Analysis

11. An overview of the proposed amendment recommended by the Interpretations Committee to address this issue is described below.

Severe hyperinflation

12. The intent of the Interpretations Committee is to propose a specific amendment to IAS 29 that can be applied to the specific circumstances when an entity emerges from severe hyperinflation. The Interpretations Committee does not believe that the amendment should be applied in situations that do not involve a severely hyperinflationary economy.

13. This is reflected in the recommendation by the Interpretations Committee to amend IAS 29, rather than amending other IFRSs (eg IFRS 1 or IAS 21).

14. Consequently, the Interpretations Committee recommended that the amendment should only be applied when the functional currency of an entity ceases to be the currency of a severely hyperinflationary economy.

15. The amendment proposes two characteristics that must **both** exist for a currency to be considered subject to severe hyperinflation:

    (a) A reliable general price index is unavailable to all entities that report in that functional currency.

    (b) Exchangeability between the functional currency and other currencies no longer exists.

16. The scope of the amendment includes situations when the entity's functional currency ceases to have both of these characteristics because:

    (a) it is required, in accordance with IAS 21, to change its functional currency to a new currency (e.g. USD) that is not subject to severe hyperinflation; **or**

(b) The current functional currency of the entity no longer suffers from severe hyperinflation (eg a reliable price index may become available, or the currency may become exchangeable again).

New accounting basis

17. The date when an entity emerges from a period when its functional currency suffered from severe hyperinflation is defined as the '**currency stabilisation date**'.

18. At the currency stabilisation date, the entity is deemed to have a new accounting basis, and is required to prepare and present an IFRS statement of financial position that reflects this new accounting basis.

Recognition and measurement principles at the currency stabilisation date

19. The Interpretations Committee recommends that the new accounting basis used for the statement of financial position presented at the currency stabilisation date should reflect the basis of recognition and measurement described in IFRS 3 *Business Combinations*.

20. This approach provides a practical solution to identifying the first step for the entity to resume presenting financial statements in accordance with IFRSs.

21. Although implementation challenges will exist in assigning fair values to assets and liabilities at the currency stabilisation date, based upon the results of the staff outreach, it is considered the most appropriate approach. This is because the use of a historical cost measurement basis is not possible because of the impact of severe hyperinflation in previous periods.

22. However, the proposed amendment includes some additional recognition principles and measurement principles exceptions to those exceptions identified in IFRS 3. These specifically relate to:

    (a) goodwill;

    (b) intangible assets;

(c) leases;

(d) equity; and

(e) recognition of a separate hyperinflation reserve as a component of other comprehensive income.

This hyperinflation reserve is calculated as the net of the assets, liabilities and other components of equity that are recognised and measured at the currency stabilisation date.

23. In addition, the guidance in IFRS 3 on indemnification assets, reacquired rights and contingent liabilities is not applicable.

24. The Interpretations Committee proposes these additional exceptions because they;

(a) reflect their view that the recognition principle for the new basis of accounting should be based upon those assets and liabilities that existed before the currency stabilisation date;

(b) are consistent with the new accounting basis arising from the existence of severe hyperinflation rather than from a business combination; and

(c) provide practical assistance with applying the guidance proposed in the amendment.

Subsequent measurement and accounting

25. The Interpretations Committee propose that assets, liabilities and equity recognised at the currency stabilisation date shall be subsequently measured and accounted for in accordance with other applicable IFRSs and with the entity's accounting policies.

26. Additional guidance would also be provided to state that the hyperinflation reserve recognised at the currency stabilisation date shall not be remeasured or recycled.

Consolidated financial statements of parents, venturers and investors

27. Part of the rationale for the Interpretations Committee proposing an amendment to IAS 29 rather than to other IFRSs (eg IFRS 1) is to enable the guidance to be applied to entities that have an interest in an entity that has suffered from severe hyperinflation.

28. These entities may, or may not, have been able to prepare and present consolidated financial statements in accordance with IFRSs during the period in which they held an interest in an entity that suffered from severe hyperinflation.

29. The proposed amendment requires derecognition of the 'old' interest at the currency stabilisation date and the recognition of a 'new' interest, consistent with the notion that the entity has a new accounting basis.

30. This new interest should be recognised and measured in conformity with paragraphs 19 – 26 of this agenda paper, with the exception that a hyperinflation reserve is not recognised.

31. In the absence of recognition of a hyperinflation reserve, any difference between the carrying amount of the old interest derecognised, and the new interest recognised, is reflected in profit or loss.

32. The Interpretations Committee likened this treatment to the accounting for loss of control in IAS 27.34 and the accounting for a bargain purchase in accordance with IFRS 3.34.

Disclosures

33. The proposed amendment requires an entity to present a statement of financial position at the currency stabilisation date, and to present disclosures relating to how and why the entity has applied the guidance in this amendment.

34. The Interpretations Committee also proposes that the amendment should specifically address comparative information requirements.

35. The amendment proposes that, because IFRS-compliant comparative information is unavailable because the entity was suffering from severe hyperinflation, IFRS-compliant comparative information is not required. As a result, the absence of comparative information does not prevent the entity's financial statements from complying with IFRSs when an entity emerges from severe hyperinflation.

36. However, the Interpretations Committee noted that an entity may provide comparative information for other reasons, for example to comply with regulatory filing requirements. If the entity does provide comparative information relating to periods before the currency stabilisation date, it shall be clearly identified as not prepared in accordance with IFRSs.

Transition and effective date

37. The Interpretations Committee recommends that an entity shall apply the amendment prospectively when the currency stabilisation date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2011.

38. Earlier application shall be permitted, which is expected to be useful to the entities operating in the hyperinflationary economy identified in the request, as highlighted in Appendix C.

Consequential amendments

39. The Interpretations Committee gave consideration as to whether a consequential amendment is required to IFRS 1 to clarify that, in this situation; the entity should apply the amended guidance in IAS 29, and not be required to apply IFRS 1.

40. The Interpretations Committee also discussed whether consequential amendments are required to IAS 21 and IAS 27, and if so, whether these amendments would prevent the need to also consequentially amend IFRS 1.

41. The staff believe that in order to provide clarity to preparers of financial statements on the approach to be applied in this situation, consequential amendments should be made to IFRS 1, IAS 21 and IAS 27.

42. In addition, the staff recommend that consequential amendments should also be made to IAS 28 *Investments in Associates* and IAS 31 *Interest in Joint Ventures* to clarify the accounting in the consolidated financial statements of investors and venturers, in addition to parents.

Staff conclusion

Annual improvement criteria assessment

43. The existing criteria for inclusion in the 2009-2011 *Annual Improvements Project* (*AIP*) cycle are that the proposed amendment is **non-urgent** and **necessary**.

44. The Interpretations Committee do not think that the amendment meets the existing criteria for inclusion in the 2009-2011 *AIP*. This is because the proposed amendment is:

    (a) introducing a new principle that does not currently exist in IFRSs; and

    (b) urgent.

45. Many entities in the hyperinflationary economy identified in the request met both of the proposed scope criteria in the first quarter of 2009.

46. An amendment made as part of the 2009-2011 *AIP* would not be issued until the second quarter of 2011, with an expected effective date of 1 January 2012. This date of issue would be too late to be useful to entities with a calendar year end reporting period that are affected by the hyperinflationary economy identified in the request.

47. Consequently, the Interpretations Committee recommends that the Board should make a separate amendment to IAS 29, which could be issued on a more timely basis, to address this issue.

48. The staff propose the following tentative timeline to finalising this amendment in order to maximise its usefulness to constituents:

    (a) if the Board agree with the recommendations of the Interpretations Committee, an Exposure Draft of the amendment is published in August 2010 with a 60-day comment period (rather than the normal comment period of 120 days);

    (b) comments received on the Exposure Draft are redeliberated at the November 2010 IASB meeting; and

    (c) the amendment is issued in December 2010, with an effective date of 1 July 2011. Earlier application should be permitted.

49. The staff believe that this timeline would allow calendar year entities in Zimbabwe to apply the amendment in their 31 December 2010 financial statements, as shown in the example in Appendix C.

Drafting

50. The proposed wording for the amendments to IAS 29, and for the Basis for Conclusions, are in Appendix A. The proposed consequential amendments are in Appendix B.

Question 1 for the Board
1. Does the Board agree with the Interpretation Committee's recommendation that the Board should make an amendment to IAS 29 to address this issue? 2. Does the Board have any comments on the proposed wording for the amendment to IAS 29 in Appendix A and the proposed wording for the consequential amendments in Appendix B? 3. Does the Board agree with the publication of an Exposure Draft with an accelerated 60 day comment period?

Appendix A – Proposed amendment to IAS 29 *Financial Reporting in Hyperinflationary Economies*

Paragraphs 38A ─ 38S, 40A ─ 40C and 41A are added.

Severe hyperinflation

38A The currency of a hyperinflationary economy may be subject to severe hyperinflation because it has both of the following characteristics:

(a) a reliable general price index is not available to all entities reporting in the currency.
(b) exchangeability between the currency and other currencies no longer exists.

38B A currency that is subject to severe hyperinflation may be the functional currency of the entity, even though it leads to difficulties in faithfully representing the economic effects of the underlying transactions in the financial statements of an entity.

38C When, and only when, an entity has a functional currency that ceases to have both of the characteristics identified in paragraph 38A, the entity shall, at the date when its functional currency is no longer subject to severe hyperinflation, apply paragraphs 38D ─ 38O and 40A ─ 40C. This date is the currency stabilisation date.

New accounting basis

38D The entity is deemed to have a new accounting basis at the currency stabilisation date and shall prepare an IFRS statement of financial position in accordance with paragraphs 38E ─ 38M on this date.

Recognition and measurement principles at the currency stabilisation date

38E Assets and liabilities shall be recognised and measured in accordance with the principles in paragraphs 10 ─ 20 of IFRS 3 *Business Combinations*.

Exceptions to the recognition and measurement principles applied at the currency stabilisation date

38F An entity shall apply the exceptions to the recognition and measurement principles in paragraphs 24 – 26 and 30 – 31 of IFRS 3.

Goodwill, intangible assets and leases

38G Paragraph 32 of IFRS 3 shall not be applied. Goodwill shall not be recognised.

38H Paragraphs B28 – B30 of IFRS 3 shall not be applied. No assets or liabilities related to an operating lease in which the entity is the lessee shall be recognised.

38I Paragraphs B31 – B40 of IFRS 3 shall not be applied. Only intangible assets that were recognised by an entity in accordance with IAS 38 *Intangible Assets* before the currency stabilisation date shall be recognised.

Equity

38J Legal and statutory reserves and equity instruments (eg share capital and share premium) shall be recognised and measured in accordance with local statutory requirements and with the contractual terms of those instruments.

38K Non-controlling interest shall be measured at fair value.

38L Retained earnings and components of other comprehensive income (eg revaluation surplus and cumulative translation differences) shall be measured at zero.

38M A separate hyperinflation reserve shall be recognised as a component of other comprehensive income and measured as a residual interest. This is calculated as the net of the assets, liabilities and other components of equity that are recognised and measured in accordance with this standard at the currency stabilisation date.

Subsequent measurement and accounting

38N Assets, liabilities and equity recognised at the currency stabilisation date shall be subsequently measured and accounted for in accordance with other applicable IFRSs and with the entity's accounting policies.

38O The hyperinflation reserve component of equity shall not be remeasured or recycled.

Consolidated financial statements of parents, venturers and investors

38P An entity may prepare and present consolidated financial statements that include an interest in an entity that has a functional currency that ceases to have both of the characteristics identified in paragraph 38A.

38Q The interest in this entity shall be derecognised in the consolidated financial statements at the currency stabilisation date.

38R A new interest in this entity shall be recognised at the currency stabilisation date. The new interest shall be recognised and measured in accordance with paragraphs 38E ─ 38L and paragraph 38N.

38S Any difference in the amounts relating to the interest in the entity that is derecognised and the amounts relating to the new interest that is recognised shall be recognised in profit or loss in the consolidated financial statements.

Disclosures

40A An IFRS statement of financial position shall be presented at the currency stabilisation date by an entity whose functional currency emerges from a period of severe hyperinflation.

40B The following disclosures shall be made when an entity applies paragraphs 38C or applies paragraph 38P to an interest in an entity:

(a) the basis for recognising and measuring assets, liabilities and equity at the currency stabilisation date;
(b) the fact that the entity has a new accounting basis; and
(c) an explanation of how, and why, the entity ceased to have a functional currency that has both of the characteristics in paragraph 38A.

40C Comparative information in accordance with IFRSs for periods before the currency stabilisation date is not required for that entity. If comparative information relating to the entity is disclosed for periods before the currency stabilisation date, it shall be clearly identified as not prepared in accordance with IFRSs.

Effective date

41A An entity shall apply paragraphs 38A – 38S and 40A – 40C prospectively when the currency stabilisation date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies paragraphs 38A – 38S in its financial statements for a period beginning before 1 July 2011, it shall disclose that fact.

Basis for Conclusions on proposed amendment to IAS 29 *Financial Reporting in Hyperinflationary Economies*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment.

Introduction

BC1 In 2010 the IFRS Interpretations Committee received a request to clarify how an entity should resume presenting financial statements in accordance with IFRSs after a period of severe hyperinflation, during which it had been unable to comply with IAS 29 *Financial Reporting in Hyperinflationary Economies*.

BC2 The request identifies an entity whose functional currency is the currency of a hyperinflationary economy. The entity is unable, for a period of time, to comply with IAS 29 and prepare financial statements in accordance with IFRSs because of severe hyperinflation. This is because the general price index relating to the entity's functional currency is unavailable, and the functional currency lacks exchangeability.

BC3 The request asks how such an entity should resume preparing financial statements under IFRS when the entity's functional currency subsequently ceases to be the currency of a severely hyperinflationary economy, specifically because the entity does not have IFRS compliant comparative information.

Decision to amend IAS 29

BC4 The IFRS Interpretations Committee concluded that IFRSs do not address how an entity should resume presenting financial statements in accordance with IFRSs in this situation and recommended that the Board should amend IAS 29.

BC5 The Board [determined] that it was appropriate to amend IAS 29 to address this issue, because it only arises when an entity's functional currency was the currency of a hyperinflationary economy. In addition the amendment could be applied to entities that have an interest in an entity that has suffered from severe hyperinflation.

BC6 The Board [proposed] that the amendment should only apply to situations when the entity's functional currency ceases to be a currency for which a general price index relating to the entity's functional currency is unavailable and when exchangeability is lacking.

BC7 The Board [decided] that the date when an entity's functional currency ceases to have both of the characteristics identified in BC6 is the currency stabilisation date.

Accounting at the currency stabilisation date

BC8 On the currency stabilisation date, the entity is deemed to have a new accounting basis and shall prepare and present an IFRS statement of financial position that reflects this new accounting basis. This approach provides a practical solution, acknowledging that the use of a historical cost measurement basis is not possible because of the impact of severe hyperinflation in previous reporting periods.

BC8 In the IFRS statement of financial position presented at the currency stabilisation date, the entity shall apply the recognition and measurement principles described in IFRS 3 *Business Combinations*.

BC9 The Board [concluded] that certain exceptions to the recognition and measurement principles in IFRS 3 should be applied. This is because the new basis of accounting should reflect assets and liabilities that existed before the currency stabilisation date. Unlike a business combination, assets (eg goodwill or intangible assets) are not acquired or liabilities (eg contingent liabilities) assumed or incurred at this date. Exceptions to the recognition and measurement principles in IFRS 3 should also provide practical assistance with applying the guidance proposed in the amendment.

BC10 The amendment should also be applied in the consolidated financial statements of parents, venturers and investors with an interest in an entity that has a functional currency that ceases to have both of the characteristics identified in paragraph 38A because this situation is not clearly addressed in IFRSs. The Board [decided] that in those consolidated financial statements the interest should be derecognised and a new interest in this entity shall be recognised at the currency stabilisation date, consistent with the notion that the entity has a new accounting basis. Any difference between the carrying amount of the old interest derecognised, and the new interest recognised, is reflected in profit or loss, similar to the accounting for loss of control in paragraph 34 of IAS 27 *Consolidated and Separate Financial Statements* and the accounting for a bargain purchase in accordance with paragraph 34 of IFRS 3.

BC11 The Board [decided] that comparative information in accordance with IFRSs for periods before the currency stabilisation date is not required for that entity. This is because, as a result of a period of severe hyperinflation, the entity does not have IFRS-compliant comparative information.

BC12 The Board also [decided] that in this situation an entity should not apply IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This is because of the specific guidance provided in IAS 29.

Appendix B – Consequential amendments

Consequential amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 4(d) is added.

Scope

(a) applies paragraphs 38A – 38S of IAS 29 *Financial Reporting in Hyperinflationary Economies* when presenting separate or consolidated financial statements.

Consequential amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraph 37A is added.

Change in functional currency

37A Paragraphs 35 – 37 shall not be applied if an entity changes functional currency and the previous functional currency was subject to severe hyperinflation in accordance with paragraph 38A of IAS 29. Instead, the entity shall apply paragraph 38C of IAS 29 or an entity that prepares and presents consolidated financial statements that include an interest in such an entity shall apply paragraphs 38P – 38S of IAS 29.

Consequential amendments to IAS 27 *Consolidated and Separate Financial Statements*

Paragraphs 26A is added.

Consolidation procedures

26A When a subsidiary has a functional currency that ceases to have both of the characteristics identified in paragraph 38A of IAS 29 *Financial Reporting in Hyperinflationary Economies*, the parent applies paragraphs 38P – 38S of IAS 29 when accounting for the subsidiary in the parent's consolidated financial statements.

Consequential amendment to IAS 28 *Investments in Associates*

Paragraph 18A is added.

Consolidation procedures

18A When an associate has a functional currency that ceases to have both of the characteristics identified in paragraph 38A of IAS 29 *Financial Reporting in Hyperinflationary Economies*, the investor applies paragraphs 38P – 38S of IAS 29 when accounting for the associate in the investor's consolidated financial statements.

Consequential amendment to IAS 31 *Interests in Joint Ventures*

Paragraph 43A is added.

Financial statements of a venturer

Exceptions to proportionate consolidate and equity method

43A When a jointly control entity has a functional currency that ceases to have both of the characteristics identified in paragraph 38A of IAS 29 *Financial Reporting in Hyperinflationary Economies*, the venturer applies paragraphs 38P – 38S of IAS 29 when accounting for the joint venture in the venturer's consolidated financial statements.

Appendix C – Timeline example

A1. The purpose of Appendix C is to provide an illustrative timeline relating to the accounting for a Zimbabwe subsidiary (Entity S).

A2. This illustrative timeline assumes the following:

(a) the proposed amendment to IAS 29 is issued in accordance with the timeline proposed in this agenda paper.

(b) entity S applies the proposed amendment early in its financial statements for the period beginning 1 January 2010;

(c) the functional currency of Entity S was the Zimbabwe dollar;

(d) the Zimbabwe dollar is the currency of a hyperinflationary economy;

(e) the Zimbabwe dollar became the currency of a severely hyperinflationary economy on 1 November 2008;

(f) Entity S was required to change its functional currency in accordance with IAS 21 from the Zimbabwe dollar to the US dollar on 1 January 2009; and

(g) Entity S has an annual reporting date of 31 December.

A3. This timeline is broadly consistent with the staff understanding that the:

(a) Zimbabwe dollar began suffering severe hyperinflation in 2008; and

(b) Zimbabwe economy became ‘US dollarised’ in January 2009.

A4. However, it should be noted that, depending on specific facts and circumstances, different entities may assign different dates to when they identify:

(a) the existence of severe hyperinflation; and

(b) a change in their functional currency to a currency that does not suffer from severe hyperinflation.

Entity S's separate financial statements

A5. Entity S prepares its separate financial statements as follows.

31 December 2007 separate financial statements

A6. Entity S prepares separate financial statements in accordance with IFRSs by applying the existing guidance in IAS 29.

31 December 2008 separate financial statements

A7. Entity S could not prepare its separate financial statements in accordance with IFRSs for the annual reporting period ending 31 December 2008 because the entity's functional currency was the currency of a severely hyperinflationary economy.

31 December 2009 separate financial statements

A8. Entity S could not prepare its separate financial statements in accordance with IFRSs for the annual reporting period ending 31 December 2009.

A9. Even though its functional currency is no longer the currency of a severely hyperinflationary economy, guidance within IFRSs is insufficient to enable Entity S to present financial statements; specifically, comparative financial information that is in accordance with IFRSs.

31 December 2010 separate financial statements

A10. The proposed amendment is issued in December 2010.

A11. Entity S elects to early adopt the proposed amendment in the 31 December 2010 separate financial statements.

A12. Consequently, the entity has a new accounting basis on 1 January 2009 in accordance with the proposed amendment to IAS 29.

A13. The entity applies the recognition and measurement approach required by this amendment in preparing a statement of financial position at 1 January 2009, presented in US dollars.

A14. The 31 December 2010 separate financial statements of the entity are prepared and presented in accordance with IFRSs.

A15. This is because the entity has no comparative financial information that is required to be presented in accordance with IFRSs.

A16. Any financial information presented by the entity that relates to reporting periods prior to 1 January 2009 must be separately identified as not being in accordance with IFRSs.