
Emerging Economies Group meeting

Date	December 2024
Topic	Applying IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> – Feedback
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Purpose of this discussion

To get input from members of the Emerging Economies Group (EEG) about:

- (a) their experiences (and any challenges) in applying IAS 29 *Financial Reporting in Hyperinflationary Economies*; and
- (b) the usefulness of information resulting from applying the requirements in IAS 29.

Structure

This paper includes:

- (a) background information;
- (b) questions to members of the EEG; and
- (c) next steps.

Appendix A includes extracts from a stakeholder letter setting out some concerns.

Appendix B provides an overview of IAS 29.

Background

The Request for Information (RFI) on the IASB's third agenda consultation, identified inflation as a possible project. This was because some stakeholders said information prepared applying IAS 29 could be more useful. Specifically, they said:

- (a) the scope of IAS 29 should be extended to include economies experiencing high inflation, because long periods of high inflation can affect the relevance of the information included in the financial statements;
- (b) the Standard relies on a general price index, which may not be reliable or available; and
- (c) restated financial statements of a foreign operation in a hyperinflationary environment are difficult to understand.

Most respondents to the RFI rated a project about inflation as low priority.

Note:

At that time, the IASB decided **not** to add a project about inflation to its work plan.

Background (cont'd)

Stakeholders have informed us that the economic landscape has changed since the IASB completed its third agenda consultation. Stakeholders say the following concerns have become more prevalent:

- (a) assessing when an economy becomes hyperinflationary applying IAS 29;
- (b) the cost and complexity of applying IAS 29; and
- (c) usefulness of the resulting information.

Background (cont'd)

At its November 2024 meeting, the IFRS Interpretations Committee discussed a submission about assessing the indicators of a hyperinflationary economy in paragraph 3 of IAS 29.

In its letter, the submitter also expressed concerns about:

- (a) the usefulness of the information resulting from applying constant purchasing power accounting in accordance with IAS 29; and
- (b) the complexity of incorporating a hyperinflationary foreign operation into a reporting entity's financial statements.

Appendix A includes more information about these concerns.

Background (cont'd)

The letter [see Appendix A] states:

The application of IAS 29 has become increasingly complex as more economies meet the quantitative indicators of hyperinflation...[IAS 29] introduces several challenges that question its reliability and usefulness.

The letter requests the IASB to undertake standard-setting to address these concerns.

We have also heard similar concerns and requests from other stakeholders.

Background (cont'd)

At the November IFRS Interpretations Committee meeting, members shared their experience about similar questions we are asking the members of EEG in this discussion.

You can listen to this discussion on our [website](#).

Questions to members of EEG

1. Since the completion of the third agenda consultation (in 2022), have you become aware of significant and more pressing concerns about the application of IAS 29?

What has given rise to these concerns?

2. In broad terms, what aspects of IAS 29 are you aware of that are particularly challenging and why?

For example, identifying when an economy becomes hyperinflationary, restating financial statements applying a general price index, or other aspects.

3. Are you aware of concerns about the usefulness of information resulting from the application of IAS 29?

What are those concerns?

Next steps

We will use your input when reporting to the IASB concerns raised by stakeholders.

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