

Proposed Amendments for Translation to a Hyperinflationary Presentation Currency

Amendments to IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 47A–47B, 56A, 62A–62B, 63A, and 71K–L are added. Paragraphs 44, 48, 50, 56 and 64 are amended. The heading before paragraph 71 is amended. New text is underlined and deleted text is struck through.

Use of a Presentation Currency Other than the Functional Currency

Translation to the Presentation Currency

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44. When an entity's functional currency and presentation currency differ and are the currencies of non-hyperinflationary economies, the financial performance and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:
- (a) Assets and liabilities for each statement of financial position presented (i.e., including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
 - (b) Revenue and expenses for each statement of financial performance (i.e., including comparatives) shall be translated at exchange rates at the dates of the transactions; and
 - (c) All resulting exchange differences shall be recognized as a separate component of net assets/equity.
- ...
- 47A. When an entity's functional currency is the currency of a non-hyperinflationary economy but its presentation currency is the currency of a hyperinflationary economy, the financial performance and financial position of the entity shall be translated into the presentation currency by translating all amounts (i.e., assets, liabilities, net assets/equity items, revenue and expenses, including comparatives) at the closing rate at the date of the most recent statement of financial position.
- 47B. When the economy whose currency is the entity's presentation currency ceases to be hyperinflationary and the entity's functional currency continues to be the currency of a non-hyperinflationary economy, the entity shall no longer apply paragraph 47A and instead apply paragraph 44. The entity shall do so prospectively from the beginning of the reporting period in which the economy ceases to be hyperinflationary—i.e., the entity shall not retranslate amounts that arose before the beginning of the reporting period.
48. When an entity's functional currency and presentation currency differ, and the entity's functional currency is the currency of a hyperinflationary economy, the financial

Agenda Item

3.A.3

IPSASB Meeting (June 2026)

performance and financial position of the entity ~~whose functional currency is the currency of a hyperinflationary economy~~ shall be translated into a different presentation currency using the following procedures:

- (a) All amounts (i.e., assets, liabilities, net assets/equity items, revenue, and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that
- (b) When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

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Translation of a Foreign Operation

50. Paragraphs 51–~~56A~~56, in addition to paragraphs 43–49, apply when the financial performance and financial position of a foreign operation are translated into a presentation currency, so that the foreign operation can be included in the financial statements of the reporting entity by consolidation, or the equity method.

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56. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus, they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate in accordance with paragraphs 44, 47A, and 48.

- 56A. When an entity's functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and the entity translates the financial performance and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy, the entity shall not apply paragraph 47A to the comparative amounts of that foreign operation. Instead, the entity shall restate the comparative amounts of that foreign operation included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 31 of IPSAS 10.

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Disclosure

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- 62A. When an entity applies paragraph 47A to translate its financial performance and financial position or the financial performance and financial position of a foreign operation, the entity shall disclose the fact that all amounts (i.e., assets, liabilities, net assets/equity items, revenue and expenses and, if not applying paragraph 56A, comparatives) in its financial statements, or the financial performance and financial position of its foreign

operations, have been translated at the closing rate at the date of the most recent statement of financial position.

- 62B. When an entity's functional currency is that of a hyperinflationary economy, and that entity applies paragraphs 47A and 56A to translate the financial performance and financial position of its foreign operations, the entity shall disclose summarized financial information about its foreign operations that enables users of financial statements to assess the effect of these foreign operations on the entity's financial performance and financial position. The entity shall label the comparative summarized financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 31 of IPSAS 10.

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- 63A. When an entity applies paragraph 47B, the entity shall disclose the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy.

64. When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with IPSAS only if they comply with all the requirements of each applicable Standard, including the translation method set out in paragraphs 44, 47A, and 48, and 56A.

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Effective Date and Transition

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- 71K. [Improvements to IPSAS Accounting Standards - Volume 11], issued in [MMMM YYYY], added paragraphs 47A–47B, 56A, 62A–62B, 63A and 71L and amended paragraphs 44, 48, 50, 56 and 64. An entity shall apply those amendments for annual reporting periods beginning on or after [MMMM YYYY]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

- 71L. In applying [Improvements to IPSAS Accounting Standards - Volume 11]:

- (a) An entity, whose functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and that translates the financial performance and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy, shall:
 - (i) Apply the amendments from the beginning of the annual reporting period in which it first applies the amendments;
 - (ii) Restate the comparative amounts of its foreign operations included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures in accordance with paragraph 31 of IPSAS 10; and
 - (iii) Disclose comparative summarized financial information about its foreign operations and label such information to identify that the entity prepared the information by applying (ii);

Agenda Item 3.A.3

- (b) Except as specified in (a), an entity shall apply the amendments retrospectively in accordance with IPSAS 3; and
- (c) An entity is not required to disclose the information that would otherwise be required by paragraph 33(f) of IPSAS 3.

Amendments to IPSAS 10, *Financial Reporting in Hyperinflationary Economies*

Paragraphs 11 and 31 are amended. New text is underlined and deleted text is struck through.

The Restatement of Financial Statements

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11. The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the reporting date. The corresponding figures for the previous period required by IPSAS 1, and any information in respect of earlier periods, shall also be stated in terms of the measuring unit current at the reporting date. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 47A, 487(b), 498, and 56A of IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*, apply.

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Corresponding Figures

31. Corresponding figures for the previous reporting period, ~~whether they were based on an historical cost model or a current value model~~, are restated by applying a general price index, so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 47A, 487(b), 498, and 56A of IPSAS 4 apply.