Raymond Chabot Grant Thornton

IFRS Adviser Alert

Hyperinflationary countries – Update for periods ending December 31, 2023

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Executive summary

As at December 31, 2023, there were thirteen countries around the world whose economies were considered hyperinflationary. Entities whose functional currency is the currency of one of these countries and that have December 31, 2023 reporting requirements have to reflect the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* in their IFRS financial statements.

Situation

According to the October 2023 World Economic Outlook (WEO) publication issued by the International Monetary Fund (IMF) and based on economic conditions that existed in Ghana, Sierra Leone and Haiti at that time, these countries were considered to be hyperinflationary as of December 31, 2023. Therefore, reporting entities in those countries are required to apply IAS 29. Consequently, any entities with interim or annual financial reporting requirements as at December 31, 2023, or thereafter, should reflect the requirements of IAS 29 in their financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The WEO publication also identified that South Sudan might no longer be in a hyperinflationary economy from December 31, 2023.

As at December 31, 2023, there were thirteen countries around the world where IAS 29 should be applied when entities whose functional currency of the currency of one of these countries want to state their IFRS financial statements are in full compliance with IFRS. These countries are Argentina, Ethiopia, Ghana, Haiti, Iran, Lebanon, Sierra Leone, Sudan, Suriname, Turkey, Venezuela, Yemen (which should be closely monitored) and Zimbabwe.

IFRIC decisions relating to hyperinflation

The IFRS Interpretations Committee (IFRIC) have previously considered a number of accounting issues in relation with hyperinflation. These include the following items:

- Translating a hyperinflationary foreign operation and presenting exchange differences;
- Accounting for cumulative exchange differences before a foreign operation becomes hyperinflationary;

- Presenting comparative amounts when a foreign operation first becomes hyperinflationary;
- Consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent.

We encourage careful consideration of these issues when preparing IFRS financial statements and applying IAS 29.

Our thoughts

IAS 29 is not a standard that can be quickly implemented, particularly in group situations. Careful consideration needs to be given to the IFRIC guidance dealing with situations where there is a hyperinflationary parent that has subsidiaries that also report in a hyperinflationary currency versus situations where a non-hyperinflationary parent has subsidiaries that report in a hyperinflationary currency. Also, be mindful of how a hyperinflationary parent with subsidiaries that do not report in a hyperinflationary currency should be accounted for given the requirements set out in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Any reporting entities considering IAS 29 for the first time will have to adapt their existing accounting systems to be able to process the hyperinflationary adjustments. It is important they understand the mechanics of adjusting for hyperinflation so they can restate in their financial statements both current and comparative periods.