

Draft

Severe Hyperinflation:

Amendments to Indian Accounting Standard (Ind AS) 101, *First-time Adoption of Indian Accounting Standards*



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(This Draft of the Indian Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards¹)

After paragraph 31B a heading and paragraph 31C are added.

Presentation and disclosure

Explanation of transition to Ind ASs

Use of deemed cost after severe hyperinflation

31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening Ind AS balance sheet because of severe hyperinflation (see paragraphs D26–D30), the entity's first Ind AS balance sheet shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.

- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

Appendix B

Exceptions to the retrospective application of other Ind ASs

Paragraph B2 is amended (new text is underlined and deleted text is struck through).

¹ Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

Derecognition of financial assets and financial liabilities

B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in Ind AS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition to Ind AS. ~~In other words~~ For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date of transition to Ind ASs, it shall not recognise those assets and liabilities in accordance with Ind ASs (unless they qualify for recognition as a result of a later transaction or event).

Appendix D

Exemptions from other Ind ASs

Paragraphs D1 and D20 are amended (new text is underlined and deleted text is struck through)

D1 An entity may elect to use one or more of the following exemptions:

- (a) ...
- (o) transfers of assets from customers (paragraph D24);
- (p) extinguishing financial liabilities with equity instruments (paragraph D25); ~~and~~
- (q-pa) assets held for sale and discontinued operations (paragraph ~~D26~~-D25A);
- (q) severe hyperinflation (paragraphs D26-D30) ; and
- (r) joint arrangements (paragraph D31).

An entity shall not apply these exemptions by analogy to other items.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of Ind AS 39 paragraph AG76 and in paragraph AG76A prospectively to transactions entered into ~~after financial years beginning~~ on or after the date of transition to Ind ASs.

Paragraph D26 is renumbered as paragraph D25A in order to maintain consistency with the paragraph numbers of IFRS 1 and a heading and paragraphs D26–D30 are added.

Severe hyperinflation

- D26 If an entity has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of transition to Ind ASs. This applies to entities that are adopting Ind ASs for the first time, as well as entities that have previously applied Ind ASs.
- D27 The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:
- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
 - (b) exchangeability between the currency and a relatively stable foreign currency does not exist.
- D28 The functional currency of an entity ceases to be subject to severe hyperinflation on the functional currency normalisation date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph D27, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.
- D29 When an entity's date of transition to Ind ASs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to Ind ASs. The entity may use that fair value as the deemed cost of those assets and liabilities in the opening Ind AS balance sheet.
- D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of Ind AS 1) is provided for that shorter period.

Amendments to Appendix 1, Comparison with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 9 is amended

- Paragraph D-26–25A has been added to provide for transitional relief while applying Ind AS 105 - *Non-current Assets Held for Sale and Discontinued Operations*. Paragraph D26 provides an entity to use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell.