
**INTERPRETATION OF
FINANCIAL
REPORTING STANDARD**

INT FRS 107

**Applying the Restatement Approach under
FRS 29 *Financial Reporting in
Hyperinflationary Economies***

This Interpretation is applicable for annual reporting period beginning on
1 January 2024.

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Interpretation of Financial Reporting Standard 107 *Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies* (INT FRS 107) is set out in paragraphs 1–6. INT FRS 107 is accompanied by an illustrative example. The scope and authority of Interpretations are set out in the *Preface to Financial Reporting Standards*.

Interpretation of Financial Reporting Standard 107

Applying the Restatement Approach under FRS 29

Financial Reporting in Hyperinflationary Economies

References

- FRS 12 *Income Taxes*
- FRS 29 *Financial Reporting in Hyperinflationary Economies*

Background

- 1 This Interpretation provides guidance on how to apply the requirements of FRS 29 in a reporting period in which an entity identifies¹ the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with FRS 29.

Issues

- 2 The questions addressed in this Interpretation are:
- (a) how should the requirement '... stated in terms of the measuring unit current at the end of the reporting period' in paragraph 8 of FRS 29 be interpreted when an entity applies the Standard?
 - (b) how should an entity account for opening deferred tax items in its restated financial statements?

Consensus

- 3 In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of FRS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried in the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.
- 4 At the end of the reporting period, deferred tax items are recognised and measured in accordance with FRS 12. However, the deferred tax figures in the opening statement of financial position for the reporting period shall be determined as follows:
- (a) the entity remeasures the deferred tax items in accordance with FRS 12 after it has restated the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date.
 - (b) the deferred tax items remeasured in accordance with (a) are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.

¹ The identification of hyperinflation is based on the entity's judgement of the criteria in paragraph 3 of FRS 29.

The entity applies the approach in (a) and (b) in restating the deferred tax items in the opening statement of financial position of any comparative periods presented in the restated financial statements for the reporting period in which the entity applies FRS 29.

- 5 After an entity has restated its financial statements, all corresponding figures in the financial statements for a subsequent reporting period, including deferred tax items, are restated by applying the change in the measuring unit for that subsequent reporting period only to the restated financial statements for the previous reporting period.

Effective date

- 6 An entity shall apply this Interpretation for annual periods beginning on or after 1 March 2006. Earlier application is encouraged. If an entity applies this Interpretation to financial statements for a period beginning before 1 March 2006, it shall disclose that fact.