
**SINGAPORE FINANCIAL REPORTING STANDARDS
(INTERNATIONAL)**

**SFRS(I) INT 7
Applying the Restatement Approach under
SFRS(I) 1-29 Financial Reporting in Hyperinflationary
Economies**

This Interpretation is applicable for annual reporting period beginning on
1 January 2020.

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APPLYING THE RESTATEMENT APPROACH UNDER SFRS(I) 1-29 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

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SFRS(I) Interpretation 7 *Applying the Restatement Approach under SFRS(I) 1-29 Financial Reporting in Hyperinflationary Economies* (SFRS(I) INT 7) is set out in paragraphs 1–6. SFRS(I) INT 7 is accompanied by an illustrative example, and should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable¹. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s² shall:

- (A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and
- (B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 7 *Applying the Restatement Approach under SFRS(I) 1-29 Financial Reporting in Hyperinflationary Economies* is equivalent to IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*. An entity that complies with SFRS(I) INT 7 can simultaneously comply with IFRIC 7.

1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

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References

- SFRS(I) 1-12 *Income Taxes*
- SFRS(I) 1-29 *Financial Reporting in Hyperinflationary Economies*

Background

- 1 This Interpretation provides guidance on how to apply the requirements of SFRS(I) 1-29 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 SFRS(I) 1-29.

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 SFRS(I) 1-29 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 SFRS(I) 1-29 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 SFRS(I) 1-12. 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 SFRS(I) 1-12 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 SFRS(I) 1-29.

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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 SFRS(I) 1-29.

- 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

- IFRS. An entity shall apply [IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (issued by IASB in November 2005)] 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.
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