



New Zealand Equivalent to IFRIC Interpretation 7

Applying the Restatement Approach under NZ IAS 29 *Financial Reporting in Hyperinflationary Economies* (NZ IFRIC 7)

Issued December 2005 and incorporates amendments to 30 November 2012

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NZ IFRIC 7

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APPLYING THE RESTATEMENT APPROACH UNDER NZ IAS 29 FINANCIAL
REPORTING IN HYPERINFLATIONARY ECONOMIES (NZ IFRIC 7)**

from paragraph

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HISTORY OF AMENDMENTS

The following is available within New Zealand on the XRB website as additional material

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BASIS FOR CONCLUSIONS

NZ IFRIC 7

New Zealand Equivalent to IFRIC Interpretation 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* (NZ IFRIC 7) is set out in paragraphs 1–NZ 6.1 and the Appendix.

NZ IFRIC 7 is based on IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* (IFRIC 7). NZ IFRIC 7 should be read in the context of the IFRIC’s Basis for Conclusions on IFRIC 7 and the Illustrative Example for IFRIC 7.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

Reduced Disclosure Regime

Tier 2 for-profit entities must comply with all the provisions in NZ IFRIC 7.

New Zealand Equivalent to IFRIC Interpretation 7

Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies (NZ IFRIC 7)

References

- NZ IAS 12 *Income Taxes*
- NZ IAS 29 *Financial Reporting in Hyperinflationary Economies*

Background

- 1 This Interpretation provides guidance on how to apply the requirements of NZ IAS 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 NZ IAS 29.

Scope

NZ 1.1 This Interpretation applies to Tier 1 and Tier 2 for-profit entities.

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 NZ IAS 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 NZ IAS 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 NZ IAS 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 NZ IAS 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 NZ IAS 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 NZ IAS 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 This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. For entities which elect to comply with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005 and before 1 January 2007, this Interpretation becomes operative for annual accounting periods beginning on or after 1 March 2006. Early application is encouraged. If an entity applies this Interpretation to a period beginning before 1 March 2006, it shall disclose that fact.
- NZ 6.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

IFRIC Illustrative example

[This example accompanies but is not part of NZ IFRIC 7.]

IFRIC Basis for Conclusions

BC1–BC25 [Paragraphs BC1–BC25 do not form part of NZ IFRIC 7]

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*

This table lists the pronouncements establishing and substantially amending NZ IFRIC 7. The table is based on amendments approved as at 30 November 2012.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
<i>NZ IFRIC 7 Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies</i>	Dec 2005	Early application encouraged	1 Jan 2007
<i>NZ IAS 1 Presentation of Financial Statements (revised 2007)</i>	Nov 2007	Early application permitted	1 Jan 2009
Omnibus amendments (2007-1)	Nov 2007	Early application permitted	1 Jan 2009
<i>Framework: Tier 1 and Tier 2 For-profit Entities²</i>	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IFRIC 7		
Paragraph affected	How affected	By ... [date]
Various	Terminology changed	NZ IAS 1 [Nov 2007]
Paragraph 3	Amended	<i>Omnibus amendments (2007-1)</i> [Nov 2007]
Paragraph NZ 6.1	Added	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]
Paragraph 7	Deleted	<i>Omnibus amendments (2007-1)</i> [Nov 2007]

² This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.