Buenos Aires, Argentina, November 22, 2024

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Translation to a Hyperinflationary Presentation Currency – Proposed amendments to IAS 21

Dear IASB Board Members,

The "Group of Latin American Accounting Standard Setters" – GLASS[1] welcomes the opportunity to comment on the Exposure Draft "**Translation to a Hyperinflationary Presentation Currency – Proposed amendments to IAS 21**" (the ED).

This response summarizes the points of view of the members of the different countries of GLASS', which has been prepared in accordance with the following due process.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in July 2024. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view on the ED included in the summary through email exchanges and virtual meetings of members. Based on these exchanges of views, the TWG developed a final document based on the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

The response is structured as answers to the questions included in the ED submitted for consultation and includes comments on each of the topics covered in the referenced questions.

Overall comments

GLASS has analyzed the conversion method proposed in the ED, which establishes the translation of financial statements at the closing rate on the date of the most recent statement of financial position for entities with the presentation currency of a hyperinflationary economy and the functional currency of a non-hyperinflationary economy. In general, GLASS supports this proposal, considering that it provides greater consistency and relevance to the financial information presented.

On the other hand, GLASS considers that it would be appropriate to explicitly require presentation of the differences that result from applying the proposed method in other comprehensive income (with reclassification to results), applying the provisions of paragraph 39 of IAS 21.

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[1] The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and Tentative Agenda Decisions of the IFRS Interpretations Committee. Therefore, GLASS aims to have a unified regional voice before the IASB. GLASS is constituted by: Argentina (Chair), Bolivia, Brazil (Board), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Vice Chair).

Specific comments

Attached please find our specific responses to the questions presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely,

Hernán P. Casinelli

Chair of the Group of Latin American Accounting Standard Setters (GLASS)

GLASS Comment Letter on the Exposure Draft
"Translation to a Hyperinflationary Presentation Currency – Proposed amendments to IAS 21"

Question 1—Proposed translation method:

The proposed amendments to IAS 21 would require that when an entity's presentation currency is the currency of a hyperinflationary economy but the functional currency is the currency of a non-hyperinflationary economy, the entity translates its financial statements (or the results and financial position of a foreign operation), including comparatives, at the closing rate at the date of the most recent statement of financial position.

Paragraphs BC1–BC14 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for proposing this translation method.

Do you agree with the proposed translation method? Why or why not?

If you disagree, please explain what aspect of the proposed translation method you disagree with. What changes to the proposed translation method would you suggest instead and why?

Our response:

GLASS generally agrees with the translation method proposed by the IASB for the amendment of IAS 21. It recognizes that the approach of translating financial statements at the closing rate at the date of the most recent statement of financial position represents a significant advance, by improving the consistency and relevance of the information presented when an entity uses a presentation currency of a hyperinflationary economy, but whose functional currency corresponds to a non-hyperinflationary economy.

However, GLASS notes that, when applying the proposed method in certain situations, such as the consolidation of subsidiaries, joint ventures or associates whose functional currency is that of a non-hyperinflationary economy by a parent company whose functional currency is that of a hyperinflationary economy, translation differences may arise that the IASB has not clarified whether they should be presented in other comprehensive income.

On the other hand, the ED's rationale suggests the possibility that each entity chooses an accounting policy to present the resulting differences, following the March 2020 Agenda Decision issued by the IFRS Interpretations Committee (IFRIC). GLASS considers that such Agenda Decision is not applicable, since the translated entity does not expose the reporting entity to two monetary phenomena (inflation and devaluation), but to only one of them (devaluation). Therefore, GLASS proposes to expressly indicate that the presentation of these differences should be in other comprehensive income (with reclassification to results), applying the provisions of paragraph 39 of IAS 21. This will help to reduce diversity in practice and facilitate implementation of the model. To facilitate the proper understanding of our observations, we include as Annex A an illustrative example of the method proposed in the ED.

In addition, GLASS has identified some concerns in consolidated groups that present their financial statements in a hyperinflationary currency and in which, in addition, at least one of the group's entities has that same currency as its functional currency. Although the proposed method is seen as an improvement in these contexts, some entities have highlighted the cost and complexity that re-converting comparative figures could entail, especially in the case of those companies that report information on a quarterly or half-yearly basis.

Question 2—Proposed disclosures requirements:

The proposed amendments to IAS 21 would require an entity using the proposed translation method to disclose:

(a) the fact that it applies the translation method in proposed paragraph 41A (proposed paragraph 53A(a));

(b) summarised financial information about its foreign operations translated applying proposed paragraph 41A (proposed paragraph 53A(b)); and

(c) if the economy referred to in proposed paragraph 41A ceased to be hyperinflationary, that fact (proposed paragraph 54A).

Paragraphs BC20–BC27 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

Do you agree with the proposed disclosure requirements? Why or why not?

If you disagree, please explain what aspect of the proposed disclosure requirements you disagree with. What disclosure requirements would you suggest instead and why?

Our response:

GLASS agrees with the disclosure requirements proposed in the amendments to IAS 21. GLASS believes that these provisions provide transparency and clarity in the presentation of financial statements, which is essential for users when analysing entities that use the translation method in proposed paragraph 41A.

In particular, GLASS supports three specific aspects of disclosure:

(a) disclosure of the use of the translation method proposed in paragraph 41A (proposed paragraph 53A(a)) enables users to understand the approach taken to translate to the presentation currency;

(b) inclusion of summarised financial information on foreign operations, translated in accordance with proposed paragraph 41A (proposed paragraph 53A(b)) provides additional insight into the impact of the translation on the entity's consolidated information; and

(c) disclosure of when a presentation currency has ceased to be the currency of a hyperinflationary economy (proposed paragraph 54A) ensures that users are informed of changes that significantly affect the basis of presentation.

Question 3—Proposed disclosure requirements for subsidiaries without public accountability:

The IASB proposes to require an eligible subsidiary (subsidiaries that are permitted and elect to apply IFRS 19 Subsidiaries without Public Accountability: Disclosures) to disclose the same information as that which would be required of other entities applying IFRS Accounting Standards (that is, the IASB proposes not to reduce the disclosure requirements for an eligible subsidiary).

Paragraph BC28 of the Basis for Conclusions on this exposure draft explains the IASB's rationale for these proposals.

Do you agree with the proposed disclosure requirements for eligible subsidiaries? Why or why not?

If you disagree, please explain what aspect of the proposed disclosure requirements you disagree with. What reduced disclosure requirements would you suggest instead and why?

Our response:

GLASS agrees with the IASB's proposal not to reduce disclosure requirements for subsidiaries without public accountability. It considers that maintaining these requirements contributes to the quality and comparability of financial information presented by subsidiaries, regardless of whether they have public accountability or not.

Question 4—Other aspects: Translation requirements and requirements when the economy ceases to be hyperinflationary:

The IASB proposes:

(a) to require an entity to apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

(b) not to require an entity to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8 or by paragraph 178(f) of IFRS 19; and

(c) to permit an entity to apply the amendments earlier than the effective date.

Paragraphs BC33–BC36 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

If the economy referred to in proposed paragraph 41A ceases to be hyperinflationary, the proposed amendments to IAS 21 would require the entity to apply paragraph 39 of IAS 21 prospectively to amounts arising after the end of its previous reporting period—that is an entity would not restate amounts arising before the end of its previous reporting period.

Paragraphs BC16–BC19 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

Do you agree with the proposals? Why or why not?

If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

Our response:

GLASS agrees with the transition requirements and the proposed requirements when the economy ceases to be hyperinflationary, as specified in the amendments to IAS 21. In particular, it considers that the proposed provisions are reasonable and appropriate to facilitate the practical application of the standard in hyperinflationary environments.

GLASS supports the following specific aspects of the proposals:

(a) the retrospective application of the amendments under IAS 8 is consistent with the general approach to accounting policies and ensures greater comparability of financial information between periods;

(b) the exemption from the disclosure requirements set out in paragraph 28(f) of IAS 8 and paragraph 178(f) of IFRS 19 is a practical decision that avoids burdening entities with additional information that might not be relevant in this context; and

(c) the possibility of applying the amendments before the effective date gives entities flexibility to adopt the provisions according to their needs and circumstances, which can be particularly useful for entities that already operate in hyperinflationary environments.

In addition, GLASS supports the prospective application of paragraph 39 of IAS 21 when an economy ceases to be hyperinflationary. This approach avoids the need to restate previous amounts, which simplifies the accounting process and provides clarity to users of financial statements on the prospective treatment of information.

ANNEX A

Illustrative Example

Assumptions for 20X1:

- Company P's functional currency is that of a hyperinflationary economic environment (CU).
- Information about inflation for the period is as follows:

	CPI	Coefficient
31/12/20X0	100	2.80
20X1 Average	190	1.47
31/12/20X1	280	1.00

- The exchange rate (ER) at 31 December 20X1 is CU 3.8 per f.CU 1 (f.CU means foreign currency unit).
- CU (20X0) and CU (20X1) mean CU expressed in purchasing power at 31 December 20X0 and 20X1, respectively.

At **31/12/20X0**, **P** financial information was the following:

Entity P	20X0 CU (20X0)
Monetary assets, net	1,000
Property, plant and equipment (PPE)	2,500
Net asset	**3,500**

At **31/12/20X1**, **P** financial information was the following:

	20X1 CU (20X1)		20X0 CU (20X1)	
Monetary assets, net	1,050	b)	2,800	a)
PPE	6,720	c)	7,000	a)
Investments	350	d)	-	
Net assets	**8,120**		**9,800**	a)
Revenue	1,768.42			
Costs	(1,178.95)			
Depreciation	(280)			
Monetary position result	(1,989.47)	e)		
G/(L)	**(1,680)**			

References

a) All comparative information is adjusted for annual inflation, to comply with IAS 29.

b) According to the following detail, net monetary assets are as follows:

Initial balance	CU 1,000
Sales of the period	CU 1,200
Expenses of the period	(CU 800)
Creation of subsidiary Q	(CU 350)
Final Balance	**CU 1,050**

c) According to the following detail, PPE are as follows:

Initial balance:	CU 7,000
Annual depreciation 20X1	(CU 280)
Final Balance:	**CU 6,720**

d) Corresponds to the creation of foreign subsidiary Q, with a contribution of 100 CU the last month of the year (ER: 1 f.CU. = 3.5 CU)

e) Verification (figures as of December 31, 20X1):

Monetary assets, net	**Hist.CU A**	**Coefficient**	**CU (20X1) C = A x B**	**CU (20X1) Monetary position result D = C - A**
Initial balance	1,000	2.80	2,800	
- Sales of the period	1,200	1.47	1,768.42	
- Expenses of the period	(800)	1.47	(1,178.95)	
- Creation of subsidiary Q	(350)	1.00	(350)	
Final Balance	**1,050**		**3,039**	**(1,989)**

	A	B	C	D = B x C	E = A + D	Consolidation eliminations		H = E + F + G
20X1 (actual year)	**P CU (20X1)**	**Q (f.CU.)**	**Closing Exchange rate**	**Q CU (20X1)**	**Addition CU (20X1)**	**F: Debit CU (20X1)**	**G: Credit CU (20X1)**	**Consolidated CU (20X1)**
Monetary assets, net	1,050	25	3.8	95	1,145			1,145
PPE / Investment Property	6,720	100	3.8	380	7,100			7,100
Investments	350	-	3.8	-	350		350 a)	-
Total, net assets	**8,120**	**125**		**475**	**8,595**	350 a)		**8,245**
	-	-						
Revenue	1,768.42	25	3.8	95	1,863.42			1,863.42
Costs	(1.178.95)	-	3.8	-	(1,178.95)			(1,178.95)
Depreciation	(280)	-	3.8	-	(280)			(280)
Monetary position result	(1,989.47)	-	3.8	-	(1,989.47)			(1,989.47)
Gain/Loss	**(1.680)**	**25**		**95**	**(1,585)**			**(1,585)**

Consolidated Financial Statements

Statement of financial position
CU (20X1)

	31-dic 20X1	31-dic 20X0
Monetary assets, net	1,145	2,800
Non-monetary assets	7,100	7,000
Total Assets	**8,245**	**9,800**
Net asset (a)	**8,245**	**9,800**

Income Statement
CU (20X1)

	31-dic 20X1
Revenue	1,863.42
Operational Costs	(1,458.95)
Monetary position result	(1,989.47)
Gain/Loss	**(1,585)**

Verification of equity CU (20X1)

Net assets at 31-dic-20X0	**9,800**
Gain/Loss of the period	(1,585)
Net assets at 31-dic-20X1	**8,215**
Verification: 8,245 less 8,215 =	30

	f.CU	ER	CU
A: "Theoretical" Initial investment	100	3.80	380
	f.CU	ER	CU
B: "Real" initial investment	100	3.50	350
Difference (A- B) (b)			**30**

(a) Equity	P CU (20X1)	Q CU (20X1)	ADDITION CU (20X1)	DEBIT CU (20X1)	CREDIT CU (20X1)	Consolidated CU (20X1)
Capital + capital adjustment	9,800	380	10,180	350,00		9,800
Accumulated results	-	-	-			-
Result of the period	(1,680)	95	(1,585)			(1,585)
(b) Translation difference (accumulated OCI)	-	-	-			30
	8,120	**475**	**8,595**			**8,245**

Assumptions for 20X2:

- Company P's functional currency is that of a hyperinflationary economic environment (CU).
- Information about inflation for the period is as follows:

	CPI	Coefficient
31/12/20X1	280	1.86
20X2 Average	400	1.30
31/12/20X2	520	1.00

- The exchange rate (ER) at December 31, 20X2 is CU 7 per f.CU 1.
- CU (20X1) and CU (20X2) mean CU expressed in purchasing power at December 31, 20X1 and 20X2, respectively.

At **31/12/20X2**, the financial information of **P** was the following:

	20X2 CU (20X2)		20X1 CU (20X2)	
Monetary assets, net	3,150	b)	1,950	a)
PPE	11,960	c)	12,480	a)
Investments	650		650	a)
Net asset	**15,760**		**15,080**	a)
Revenue	4,550		3,284.21	a)
Costs	(1,820)		(2,189.47)	a)
Depreciation	(520)		(520)	a)
Monetary position result	(1,530)	d)	(3,694.74)	a)
Gain/Loss	**680**		**(3,120)**	

References

a) All comparative information is adjusted for annual inflation, to comply with IAS 29.

b) According to the following detail, net monetary assets are as follows:

Initial balance	CU1,050
Sales of the period	CU3,500
Expenses of the period	(CU1,400)
Final Balance	**CU3,150**

a) According to the following detail, PPE are as follows:

Initial balance:	CU12,480
Annual depreciation 20X2	(CU520)
Final Balance:	**CU11.960**

b) Verification (figures as of December 31, 20X2):

Monetary assets, net	**Historical CU** **A**	**Coefficient** **B**	**CU (20X2)** **C = A x B**	**CU (20X2) Monetary position result** **D = C - A**
Initial balance	1,050	1.86	1,950	
- Sales of the period	3,500	1.30	4,550	
- Expenses of the period	(1,400)	1.30	(1,820)	
Final Balance	**1,050**		**4,680**	**(1,530)**

20X2 (actual year)	A P CU (20X2)	B Q (f.CU)	C Closing Exchange rate	D = B x C Q CU (20X2)	E = A + D ADDITION CU (20X2)	Consolidation eliminations F: DEBIT CU (20X2)	 G: CREDIT CU (20X2)	H = E + F + G Consolidated CU (20X2)
Monetary assets, net	3,150	325	7	2,275	5,425			5,425
PPE / Investment Property	11,960	100	7	700	12,660			12,660
Investments	650	-	7	-	650		650 a)	-
Total, net assets	**15,760**	**425**		**2,975**	**18,735**	650 a)		**18,085**
	-	-						
Revenue	4,550	300	7	2,100	6,650			6,650
Costs	(1,820)	-	7	-	(1,820)			(1,820)
Depreciation	(520)	-	7	-	(520)			(520)
Monetary position result	(1,530)	-	7	-	(1,530)			(1,530)
G/(L)	**680**	**300**		**2,100**	**2,780**			**2,780**

Re – Consolidation (comparatives figures)	A P CU (20X2)	B Q (f.CU)	C Closing Exchange rate	D = B x C Q CU (20X2)	E = A + D ADDITION CU (20X2)	Consolidation eliminations F: DEBIT CU (20X2)	 G: CREDIT CU (20X2)	H = E + F + G Consolidated CU (20X2)
Monetary assets, net	1,950	25	7	175	2,125			2,125
PPE / Investment Property.	12,480	100	7	700	13,180			13,180
Investments	650	-	7	-	650		650 a)	-
Total, net assets	**15,080**	**125**		**875**	**15,955**	650 a)		**15,305**
	-	-						
Revenue	3,284.21	25,00	7	175	3,459.21			3,459.21
Costs	(2,189.47)	-	7	-	(2,189.47)			(2,189.47)
Depreciation	(520)	-	7	-	(520)			(520)
Monetary position result	(3,694.74)	-	7	-	(3,694.74)			(3,694.74)
G/(L)	**(3,120)**	**25**		**175**	**(2,945)**			**(2,945)**

Consolidated Financial Statements

Statement of financial position
CU (20X2)

	31-dic 20X2	31-dic 20X1
Monetary assets, net	5,425	2,125
Non-monetary assets	12,660	13,180
Total Assets	**18,085**	**15,305**
Net assets (a)	**18,085**	**15,305**

P/L Statement
CU (20X2)

	31-dic 20X2	31-dic 20X1
Revenue	6,650	3,459
Operating Costs	(2,340)	(2,709)
Monetary position result	(1,530)	(3,695)
Gain/Loss	**2,780**	**(2,945)**

Verification
CU (20X2)

Initial net assets	**15,305**
Gain/Loss of the period	2,780
Closing net asset	**18,085**
Verification: 18,085 less 18,085 =	-

	f.CU	ER	CU
A: "Theoretical" Initial investment	100	7.00	700
	f.CU	ER	CU
B: "Real" initial investment	100	3.50	350
Coefficient			1.86
B: “Real” initial investment restated			650
Difference (A- B) (b)			**50**

GLENIF GLASS

Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

(a) Equity	**P CU (20X2)**	**Q CU (20X2)**	**ADDITION CU (20X2)**	**DEBIT CU (20X2)**	**CREDIT CU (20X2)**	**Consolidated (CU20X2)**
Capital + capital adjustment	18,200	700	18,900	650,00		18,200
Accumulated results	(3,120)	175	(2,945)			(2,945)
Result of the period	680	2,100	2,780			(2,780)
(b) Translation difference (accumulated OCI)						50
	15,760	**2,975**	**18,735**			**18,085**