IAS 29

Financial Reporting in Hyperinflationary Economies

Restating Financial Statements to the Measuring Unit Current at the Reporting Date — Updated for IFRS 18

A Digital CFO Solutions Signature Presentation

BD CHATTERJEE

FCA · ACMA · ACS · DipIFR (ACCA UK) | Founder, Digital CFO Solutions

BDCHATTERJEE.COM

ROADMAP

What This Presentation Covers

Five building blocks — from recognising hyperinflation through to the interim-reporting consequences of the latest IAS 21 amendment.

1. Foundations

Recognising hyperinflation, who must restate, and the cumulative inflation test.

2. Restatement Mechanics

The core principle, monetary vs. non-monetary items, and the net monetary gain or loss.

3. Consolidated & Comparative Reporting

Group accounts, presentation-currency translation, and first-time hyperinflation.

4. Amendments & IFRS 18

The new IAS 21 translation method and the current list of hyperinflationary economies.

5. Practical Application

Disclosures, an illustrative note, common pitfalls, and a readiness checklist.

Key Takeaways

A one-page summary to anchor everything covered.

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PART ONE

Foundations of Hyperinflation Accounting

What triggers IAS 29, and which entities are required to restate.

Money That No Longer Measures Reliably

IAS 29 requires the financial statements of an entity whose functional currency is hyperinflationary to be stated in the measuring unit current at the end of the reporting period — comparatives included.

1. **Applies by functional currency, not domicile**
   The trigger is the entity's functional currency, per IAS 21 — not where it is incorporated or listed.

2. **No supplementary presentation is permitted**
   Restated figures cannot be shown alongside unrestated ones as a supplement; unrestated financial statements are discouraged from separate presentation.

3. **Applies whether historical cost or current cost is used**
   The restatement discipline is the same regardless of the underlying measurement basis chosen.

4. **Applies from the start of the period hyperinflation is identified**
   Once triggered, the whole reporting period — not just the balance as at year-end — is restated.

RECOGNISING HYPERINFLATION

A Judgement Call, Guided by Indicators

IAS 29 does not set a single bright-line rate. Instead it lists characteristics of the economic environment that signal hyperinflation is present.

Flight to non-monetary assets

The population prefers to hold wealth in non-monetary assets or a stable foreign currency.

Prices quoted in foreign currency

Local prices are quoted in, or referenced to, a relatively stable foreign currency.

Credit terms reflect purchasing-power loss

Sales and purchases on credit take place at prices that compensate for expected loss of purchasing power, even over a short credit period.

Rates, wages linked to a price index

Interest rates, wages, and prices are linked to a general price index.

Cumulative inflation approaching 100%

Cumulative inflation over three years approaches or exceeds 100 per cent.

NUMERICAL ILLUSTRATION 1

Testing the Cumulative Three-Year Inflation Threshold

Country X reports annual inflation of 28%, 31%, and 35% over three successive years. Does cumulative inflation approach the ~100% indicator?

Year	Annual Inflation	Index Value (Year 0 = 100)	Cumulative Inflation
Year 0 (base)	—	100.0	—
Year 1	28%	128.0	28%
Year 2	31%	167.7	68%
Year 3	35%	226.4	126%

Cumulative inflation of 126% over three years exceeds the ~100% indicator — combined with prices increasingly quoted in a stable foreign currency, this supports a conclusion that Country X's economy is hyperinflationary.

Index roll-forward: $\text{Index}_n = \text{Index}_{n-1} \times (1 + \text{inflation rate})$. No single indicator is conclusive on its own — judgement weighs all the indicators together.

WHO MUST RESTATE

Every Entity Reporting in That Functional Currency

IAS 29 applies to the financial statements, including consolidated financial statements, of any entity whose functional currency is that of a hyperinflationary economy.

Triggered From the Start of the Period

Applied from the beginning of the reporting period in which hyperinflation is first identified — not only from the date the threshold is crossed

A calendar-year entity whose economy became hyperinflationary mid-year applies IAS 29 to the full year, including interim periods already reported

There is no phased or partial application within a reporting period

Stops When Hyperinflation Ends

Amounts expressed in the measuring unit current at the end of the previous hyperinflationary reporting period become the carrying amounts going forward

No further restatement is made once the economy ceases to be hyperinflationary

The IMF's World Economic Outlook is the commonly used reference for tracking status changes

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PART TWO

Restatement Mechanics

The core principle, monetary vs. non-monetary items, and the net monetary gain or loss.

THE CORE PRINCIPLE

Restate to the Measuring Unit Current at the Reporting Date

Every non-monetary item, and every income statement transaction, is restated by applying the change in a general price index from the date it originated to the end of the reporting period.

Identify the original date ▶ **Apply the general price index movement** ▶ **Restate to the current reporting date**

- Monetary items are not restated — they are already expressed in the measuring unit current at the reporting date by their nature.
- Non-monetary items carried at historical cost are restated using the price index movement from acquisition (or revaluation) to the reporting date.
- Comparative amounts are restated too, using the price index movement to the current reporting date — not the prior period's own index.

THE KEY CLASSIFICATION

Monetary vs. Non-Monetary Items

Getting this classification right drives almost every other step in the restatement.

	Monetary Items	Non-Monetary Items
Definition	Money held and items to be received or paid in fixed or determinable amounts of money	Everything else — items without a fixed number of currency units attac
Restatement	Not restated — already current at the reporting date by nature	Restated for the change in the general price index since acquisition
Examples	Cash, receivables, payables, most provisions and borrowings	PP&E, inventories, goodwill, equity investments, most non-monetary provisions

Items carried at net realisable value or fair value at the reporting date are not restated further — they are already expressed in current terms.

Restating Each Line by Its Own Rules

Every balance sheet line follows one of three restatement paths, depending on what it represents.

Monetary items

Reported at their reporting-date amount — no restatement needed.

Non-monetary items at historical cost

Restated by the price index movement from the date of acquisition.

Non-monetary items at current value

Not restated further — already expressed in current terms (e.g. fair value, NRV).

Equity components

Restated from the dates the components arose; retained earnings is the balancing figure after all other restatements.

Every Transaction Restated From Its Own Date

All income statement items are restated by applying the change in the general price index from the dates the items were originally recorded.

1. **Revenue and expenses restated transaction by transaction**
   In practice, this is usually approximated using an average price index for the period, applied to revenue and most expenses recognised evenly through the year.

2. **Depreciation and cost of sales restated from the related asset's date**
   These follow the restated non-monetary balance sheet amount, not the period's average index.

3. **The result is a P&L expressed entirely in period-end measuring units**
   This is what makes the restated income statement comparable across periods despite the underlying currency's collapsing purchasing power.

THE DISTINCTIVE ADJUSTMENT

Gain or Loss on the Net Monetary Position

Holding net monetary assets loses purchasing power in an inflationary environment; holding net monetary liabilities gains it. IAS 29 requires this effect to be recognised in profit or loss.

Two Offsetting Positions

Net monetary asset position → purchasing power is lost as prices rise → a loss is recognised

Net monetary liability position → purchasing power is gained as prices rise, since the debt is repaid in cheaper currency → a gain is recognised

Presentation

The gain or loss on the net monetary position is included in profit or loss and separately disclosed — it is derived as the balancing figure once all other restatements (assets, liabilities, equity, income statement) are complete, calculated from the restated opening net monetary position, additions and disposals during the period, all rolled forward by the price index movement.

NUMERICAL ILLUSTRATION 2

Restating a Simple Balance Sheet to Current Units

General price index: 100 at acquisition of equipment (2 years ago), 145 at the start of the year, 180 at the reporting date.

Item ($'000)	Historical Amount	Restatement Factor	Restated Amount
Cash (monetary)	6,000	n/a — not restated	6,000
Equipment, at cost	20,000	180 / 100	36,000
Accumulated depreciation (40%)	(8,000)	180 / 100	(14,400)
Trade payables (monetary)	(4,500)	n/a — not restated	(4,500)

Only the equipment and its accumulated depreciation — non-monetary items carried at historical cost — are restated by the index movement since acquisition (180/100 = 1.8×). Cash and payables, being monetary, are already stated in current terms and carry forward unchanged.

Selecting and Using a General Price Index

IAS 29 requires the use of a general price index that reflects changes in general purchasing power — it is preferable that all entities in the same economy use the same index.

1. **Use an official index where a reliable one exists**
   A national consumer price index (CPI) published by a government statistics agency is the most common source.

2. **Estimate when no reliable official index is available**
   IAS 29 permits an estimate, for example based on movements in the exchange rate between the functional currency and a relatively stable foreign currency.

3. **Apply the index consistently across the group**
   Different entities reporting in the same hyperinflationary currency should not use different indices in the same consolidated financial statements.

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PART THREE

Consolidated & Comparative Reporting

Group accounts, presentation-currency translation, and first-time hyperinflation.

Restate First, Then Consolidate

A hyperinflationary subsidiary's financial statements are restated to current units before being brought into the consolidated financial statements.

Hyperinflationary parent, hyperinflationary subsidiary

The subsidiary restates using the general price index of the country in whose currency it reports, before consolidation.

Restated subsidiary translated at closing rate

Once restated, a foreign subsidiary's financial statements are translated into the parent's presentation currency at the closing rate.

Non-hyperinflationary subsidiaries

Subsidiaries that do not report in a hyperinflationary currency are consolidated under ordinary IAS 21 principles — no IAS 29 restatement applies to them.

When the Presentation Currency Is Not Hyperinflationary

For the purpose of presenting comparative amounts in a different (non-hyperinflationary) presentation currency, IAS 29 defers to specific provisions of IAS 21.

The IAS 21 Cross-Reference

Paragraphs 42(b) and 43 of IAS 21 govern how comparative amounts are presented once a foreign operation's results and financial position are translated into a different presentation currency — IAS 29 does not duplicate these rules, it incorporates them by reference.

Why This Matters in Practice

Groups with a hyperinflationary subsidiary but a stable presentation currency must apply IAS 29's restatement to the subsidiary and IAS 21's translation and comparative rules together — treating either in isolation produces a misstated consolidated comparative period.

TRANSITION IN

When a Foreign Operation First Becomes Hyperinflationary

The transition period into hyperinflation accounting is a frequent source of preparer error — the comparative period is not restated retrospectively under IAS 21's general approach.

1. **IAS 29 applies from the start of the period hyperinflation is identified**
   The current period's figures are restated in full, including any interim periods already reported within that year.

2. **The prior year comparative is not restated for hyperinflation**
   IAS 21's requirements are clear that restatement of the comparative prior year is not appropriate in the period hyperinflationary accounting is first applied.

3. **This changed under the 2025 IAS 21 amendment for presentation-currency translation**
   See the Recent Amendments section — the new closing-rate method does require comparatives of the foreign operation to be restated using the general price index in specific circumstances.

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PART FOUR

Recent Amendments & the IFRS 18 Impact

The new IAS 21 translation method, and the current list of hyperinflationary economies.

THE NEW REQUIREMENT

Translation to a Hyperinflationary Presentation Currency

Issued November 2025, this IAS 21 amendment adds paragraphs 219A–219B and 220A, clarifying how to translate financial statements into a hyperinflationary presentation currency — effective for annual periods beginning on or after 1 January 2027, early adoption permitted.

The New Method — Closing Rate Throughout

A company with a non-hyperinflationary functional currency but a hyperinflationary presentation currency now translates all amounts — including comparatives — using the closing rate at the latest reporting date

This resolves the ever-growing foreign currency translation reserve that arose under the previous translation approach

Foreign Operations Inside a Hyperinflationary Group

Where both functional and presentation currencies are hyperinflationary and the group has a foreign operation with a non-hyperinflationary functional currency: comparative information of that foreign operation is restated by applying the general price index under IAS 29 paragraph 34, then all amounts other than comparatives are translated at the closing rate — with disclosure of the method applied and summarised financial information about the affected foreign operations.

THE WIDER AMENDMENT PACKAGE

IAS 29 Does Not Change in Isolation

The IAS 21 translation amendment travels with consequential updates elsewhere in the IFRS suite.

Standard	Consequential Change
IFRS 18 Presentation and Disclosure in Financial Statements	The reference for restating prior-period corresponding figures is updated to point to IFRS 18 (replacing the former IAS 1 reference), effective from 1 January 2027 alongside IFRS 18 itself
IFRS 19 Subsidiaries without Public Accountability: Disclosures	The new disclosure requirements introduced for the IAS 21 translation amendment are replicated for eligible subsidiaries applying IFRS 19's reduced disclosure regime
IAS 29 itself	Corresponding paragraph references are updated to reflect the new paragraphs added to IAS 21

CURRENTLY IN SCOPE

Hyperinflationary Economies as at 30 June 2026

Based on the IMF's April 2026 World Economic Outlook, ten countries remain hyperinflationary for IAS 29 purposes — two fewer than the prior assessment.

Currently Hyperinflationary

Argentina, Haiti, Iran, Lebanon, Malawi, South Sudan, Sudan, Turkey, Venezuela, and Zimbabwe.

Removed From the List

Burundi and Sierra Leone are no longer considered hyperinflationary as of 30 June 2026, reflecting a predicted decline in inflation over the preceding three years.

Being Monitored

Angola, Egypt, Myanmar, Nigeria, Syria, and Yemen — close to the threshold but not yet classified as hyperinflationary.

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PART FIVE

Practical Application

Disclosures, an illustrative note, common pitfalls, and a readiness checklist.

DISCLOSURE REQUIREMENTS

What Every Restated Financial Statement Must Say

IAS 29's disclosure requirements are short but essential — they let users see exactly how the restatement was performed.

The fact of restatement

That the financial statements and comparatives have been restated for changes in general purchasing power.

Historical cost or current cost basis

Whether the financial statements are prepared on a historical cost or a current cost approach.

The price index used

The identity of the price index used and its level at the reporting date, plus the movement during the period.

Net monetary gain or loss

The gain or loss on the net monetary position is separately disclosed within profit or loss.

WORKED ILLUSTRATION

An Illustrative Basis-of-Preparation Note

A condensed example of how the required disclosures typically read in practice.

Note 2 — Basis of Preparation (Hyperinflation)

The Group's functional currency has been assessed as hyperinflationary under the indicators in IAS 29, and these financial statements, including comparatives, are stated in the measuring unit current at 31 December 2026

The financial statements are prepared on the historical cost basis, restated for the effects of hyperinflation, except for non-monetary assets carried at fair value

The consumer price index published by the national statistics agency has been used, moving from 226.4 at the start of the year to 289.7 at the reporting date, a 28% movement

A net monetary loss of $4.1 million (2025: loss of $2.7 million) has been recognised in profit or loss, reflecting the Group's net monetary asset position during the year

APPLICATION CHALLENGES

Where IAS 29 Restatements Commonly Go Wrong

Most errors trace back to misclassifying items, or applying the wrong index date.

Misclassifying monetary items

Treating a fixed-amount receivable or payable as non-monetary, or vice versa, and restating (or failing to restate) it incorrectly.

Using the wrong restatement date

Restating from the reporting date instead of the transaction or acquisition date for non-monetary items.

Restating the prior comparative twice

Applying the current period's index movement on top of an already-restated comparative, rather than restating from the original transaction date.

Using an inconsistent price index

Different group entities using different indices for the same hyperinflationary economy in one set of consolidated accounts.

Freezing restatement mid-year

Applying IAS 29 only from a later interim period instead of from the start of the full reporting period once hyperinflation is identified.

Treating the MPM/IFRS 18 reference as unrelated

Missing that the IAS 21 translation amendment and the IFRS 18 reference update apply together as one 2027 transition project.

READINESS CHECKLIST

Getting Ready for a First-Time or Ongoing Restatement

A practical sequence for finance teams applying IAS 29 for the first time, or preparing for the 2027 IAS 21 changes.

1. **Confirm functional currency status against the current IMF list**
   Check whether the entity's functional currency appears on, or is close to, the current hyperinflationary economies list.

2. **Select and document the general price index**
   Use an official index where reliable; document the estimation method if one must be constructed.

3. **Classify every balance sheet line as monetary or non-monetary**
   This single classification exercise drives the entire restatement and the net monetary gain or loss calculation.

4. **Map the group's presentation-currency translation approach against the 2025 IAS 21 amendment**
   Confirm whether the new closing-rate method applies, and update translation workpapers ahead of the 1 January 2027 effective date.

BRINGING IT TOGETHER

Key Takeaways

The essentials to carry forward from this session.

Functional Currency Is the Trigger

IAS 29 applies by functional currency, judged against a set of indicators — not a single bright-line inflation rate.

Monetary vs. Non-Monetary Is Everything

This one classification decides what gets restated, and drives the net monetary gain or loss.

Restate, Then Consolidate

Hyperinflationary subsidiaries are restated to current units before translation into the group's presentation currency.

2027 Brings a New Translation Method

The IAS 21 closing-rate amendment, paired with the IFRS 18 reference update, is a single integrated 2027 transition project.

ABOUT THE AUTHOR

A Career Built on Making IFRS Understandable

BD

B D Chatterjee

FCA · ACMA · ACS · DipIFR (ACCA UK)

Teacher and Mentor to finance professionals worldwide

B D Chatterjee is a Chartered Accountant and financial thought leader with over 35 years of global experience spanning corporate finance, accounting standards, financial reporting, business valuation and financial due diligence. As a seasoned CFO, he has led finance functions across major corporations and now heads Digital CFO Solutions, a platform delivering institutional-grade IFRS, US GAAP and valuation workbooks alongside fractional CFO services.

Published Author

Author of the Pocketbook of IFRS series and other finance titles.

Guided Thousands

Through IFRS, US GAAP and valuation transitions worldwide.

Institutional-Grade Platforms

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Digital CFO Solutions

Institutional-grade workbooks, fractional CFO advisory, and published finance literature.

ABOUT THE AUTHOR

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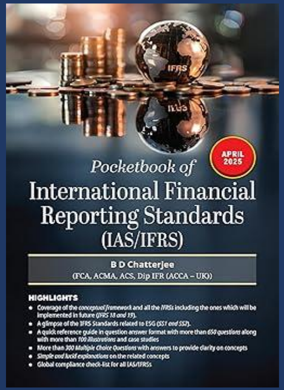

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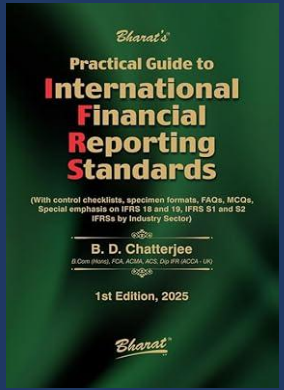

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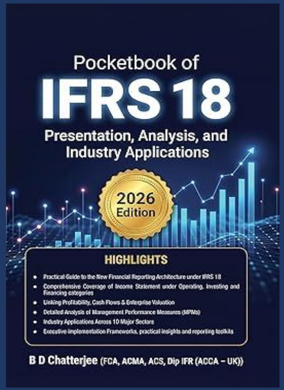

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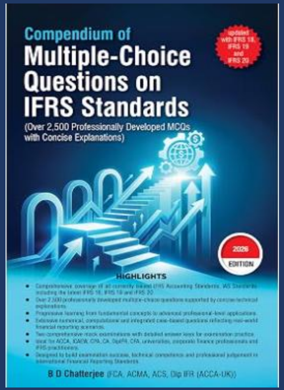

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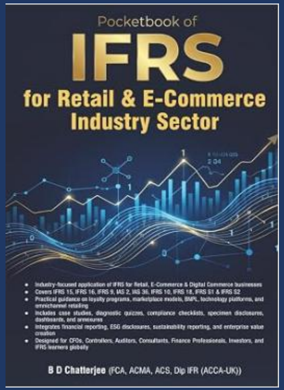

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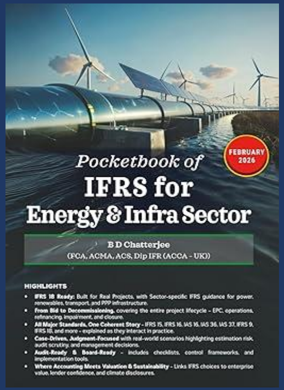

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