

AASB Simplified Exposure Draft

Tier 2 Supplement to ED 206
December 2010

Severe Hyperinflation

(proposed amendment to AASB 1)

Adverse comments to AASB by 31 January 2011



Australian Government

**Australian Accounting
Standards Board**

Proposed Disclosure Requirements

AASB Exposure Draft ED 206 *Severe Hyperinflation (proposed amendment to AASB 1)* includes the disclosures proposed by the International Accounting Standards Board (IASB) in its ED/2010/12 *Severe Hyperinflation (proposed amendment to IFRS 1)*. The AASB does not propose any reduction in the disclosures for Tier 2 entities, and thus there is no shading of the proposed disclosures, which are as follows:

Use of deemed cost after severe hyperinflation

31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening IFRS statement of financial position because of severe hyperinflation (see paragraphs D27– D30), the entity's first IFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

AASB View

The AASB expects that the proposed requirements concerning severe hyperinflation would have very limited impact on Australian reporting entities. The AASB has concluded that it would be appropriate to require entities preparing general purpose financial reports under the Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2 entities) to comply with the proposed disclosures when they were relevant. Accordingly, the AASB would not exclude any of the proposed disclosures for Tier 2 entities if the IASB were to finalise the requirements substantially as proposed.

The AASB has reached this conclusion after applying its usual approach to the analysis of the proposed disclosures – comparison with disclosures set out in the IASB's *IFRS for SMEs* and application of the 'Tier 2 Disclosure Principles'. Those principles and the analysis of the proposed disclosure requirements are available on the AASB website under [Work in Progress/ Reduced Disclosure Requirements](#).

Invitation to Comment

The AASB invites comments from constituents who hold a different view. Contact information is available on the AASB website. Any comments should be submitted to the AASB by **31 January 2011**.