

**Analysis of Disclosure Requirements
Relating to Tier 2 Supplement to
AASB Exposure Draft ED 206
Severe Hyperinflation
(*proposed amendment to AASB 1*)**

Analysis of Disclosure Requirements

Disclosures Proposed in AASB ED 206	Disclosure Requirements in <i>IFRS for SMEs</i> , Section 35	Comments
<p>Use of deemed cost after severe hyperinflation</p> <p>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:</p> <p>(a) a reliable general price index is not available to all entities with transactions and balances in the currency.</p> <p>(b) exchangeability between the currency and a relatively stable foreign currency does not exist.</p>		<p>Section 35 of the <i>IFRS for SMEs</i>, titled <i>Transition to the IFRS for SMEs</i>, allows an entity to measure items of property, plant and equipment, investment property or intangible assets on the date of transition at fair value and to use that fair value as the deemed cost. However, section 35 does not allow fair value to be used as the deemed cost for all other assets or liabilities and does not refer to the circumstances of severe hyperinflation.</p> <p>Based on paragraph 6(c) of the ‘Tier 2 Disclosure Principles’, which has regard to measurement uncertainties, paragraph 31C should be retained in Tier 2 disclosure requirements.</p>