



Project:	Translation to a Hyperinflationary Presentation Currency	Meeting:	AASB March 2026 (M219)
Topic:	Translation to a Hyperinflationary Presentation Currency Tier 2 Disclosures	Agenda Item:	6.1
		Date:	26 February 2026
Contact(s):	Hang Tran htran@asb.gov.au Lan Lu llu@asb.gov.au Helena Simkova hsimkova@asb.gov.au	Project Priority:	Low
		Decision-Making:	Medium
		Project Status:	Consider whether to make amendments to AASB 1060

Objective of this paper

- 1 The objective of this paper is to ask the Board to **consider** whether [AASB 1060](#) *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* should be amended to include disclosure requirements for foreign currency translation, arising from the issuance of [AASB 2025-4](#) *Amendments to Australian Accounting Standards – Translation to a Hyperinflationary Presentation Currency* in December 2025.

Structure of this paper

- 2 The remainder of this paper is structured as follows:
 - (a) Background (paragraphs 3 to 5);
 - (b) Summary of the major amendments to AASB 121 in AASB 2025-4 (paragraphs 6 to 7);
 - (c) International overview (paragraphs 8 to 11);
 - (d) Consideration of whether to make amendments to AASB 1060 (paragraphs 12 to 19); and
 - (e) Appendix (paragraph 20)

Background

- 3 In July 2024, the IASB issued [Exposure Draft ED/2024/4](#) *Translation to a Hyperinflationary Presentation Currency*, which proposed amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* and other standards. The AASB did not issue the Australian equivalent of the ED for public comment but publicised the IASB's Exposure Draft on the AASB website. At the June 2024 AASB meeting, the Board was of the view that the proposed amendments in ED/2024/4 relating to entities with a presentation currency that is hyperinflationary would have limited applicability to Australian

entities. Therefore, the Board decided not to comment on the ED.¹ Staff note that the IASB did not receive any submission letter from Australian stakeholders.

- 4 In November 2025, the IASB issued the [IFRS Accounting Standard Translation to a Hyperinflationary Presentation Currency \(Amendments to IAS 21\)](#) with an effective date of 1 January 2027, with earlier application permitted.
- 5 The AASB issued the Australian equivalent [AASB 2025-4 Amendments to Australian Accounting Standards – Translation to a Hyperinflationary Presentation Currency](#) in December 2025.

Summary of the major amendments to AASB 121 in AASB 2025-4

- 6 **Translation procedures:** The amending Standard clarifies the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy.
 - (a) *The use of closing rate* (paragraph 41A): requiring that when an entity's presentation currency is that of a hyperinflationary economy but its functional currency is that of a non-hyperinflationary economy, the entity must translate all amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) at the closing rate at the date of the most recent statement of financial position.
 - (b) *Exception to using the closing rate for comparatives* (paragraph 47A): providing a mandatory exception for entities applying AASB 129 for which their functional currency and presentation currency are a hyperinflationary currency or currencies. Under this exception, such entities shall not retranslate comparative amounts of their foreign operations that have a non-hyperinflationary functional currency using the closing rate. Instead, the comparatives must be restated using a general price index.
- 7 **Disclosures:** The amending Standard introduces three new disclosure requirements to AASB 121 and some transition disclosure requirements. The main requirements are for the entity to disclose:
 - (a) the fact that all amounts (ie assets, liabilities, equity items, income and expenses and, if not applying paragraph 47A, comparatives) in its financial statements or the results and financial position of its foreign operations, have been translated at the closing rate at the date of the most recent statement of financial position (paragraph 53A);
 - (b) summarised financial information about its foreign operations and label the comparative (if applying paragraph 47A) summarised financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 34 of AASB 129 (paragraph 53B);
 - (c) the fact that the presentation currency ceases to be hyperinflationary when an entity applies paragraph 41B (paragraph 54A).

International overview

New Zealand

- 8 In the December 2025 meeting, while acknowledging that the amendments are expected to have only a limited impact on New Zealand entities, given that most present their financial statements in \$ NZD, the NZASB did not propose any concession for Tier 2 entities. The Board's rationale was that, regardless of whether the applicable entity is classified Tier 1 or Tier 2 entity, these disclosures are

1 See [Minutes](#) of the 204th AASB meeting (June 2024)

important for understanding an entity's accounting policies, the nature and extent of its foreign operations and how it is translated into the group financial statements.

- 9 Due to the anticipated limited applicability of the amendments for New Zealand Tier 2 entities, the NZASB decided not to undertake extensive consultation or active outreach. Instead, the proposed amendments will be exposed for comments for a 60-day period.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

- 10 The IASB amending Standard incorporated disclosures for IFRS 19. Staff observed that the IFRS 19 disclosures are essentially the same as the full disclosures in IAS 21, aside from minor edits to wording and paragraph references (See the Appendix).
- 11 BC124 of IFRS 19 explains that the IASB decided to require an eligible subsidiary that applies IFRS 19 to disclose hyperinflationary presentation currency translation information, which is the same information required for entities that do not apply IFRS 19 because these disclosures provide useful insights about the subsidiary's composition, accounting policies and risk profile while imposing a low cost.

Consideration of whether to make amendments to AASB 1060²

- 12 Given that the AASB 2025-4 added new disclosure requirements to AASB 121, staff consider it is necessary for the Board to consider whether to require the same or similar disclosures in Tier 2 financial statements.³
- 13 The [AASB For-Profit Entity Standard-Setting Framework](#) and [AASB Not-For-Profit Entity Standard-Setting Framework](#) outline the Board's approach to considering amendments to AASB 1060 following the IASB's amendments to full IFRS Standards.

Principles used in developing AASB 1060

- 14 Under the aforementioned standard-setting frameworks, when developing the disclosure requirements in AASB 1060, the AASB uses the principles applied by the IASB in developing the disclosures in the IFRS for SMEs Accounting Standard. These principles were based on the view that users of the financial statements of Tier 2 entities are particularly interested in information about:⁴
 - (a) short-term cash flows and obligations, commitments or contingencies, whether or not recognised as liabilities;
 - (b) liquidity and solvency;
 - (c) measurement uncertainties;
 - (d) accounting policy choices; and
 - (e) disaggregation of amounts presented in the financial statements.

2 The current AASB 1060 sets out two disclosure requirements related to hyperinflationary currency for Australian Tier 2 entities: foreign currency translation disclosures (corresponding AASB 121, see AASB 1060 paragraphs 179-182) and hyperinflation disclosures (corresponding AASB 129, see AASB 1060 paragraphs 183-184).

3 Paragraph BC96 of AASB 1060 states "*a review of the disclosures will need to take place any time ... amendments are made to existing Australian Accounting Standards or Interpretations*".

4 See paragraph 53 of the For-Profit Entity Standard-Setting Framework and paragraph 40 of the Not-for-Profit Entity Standard-Setting Framework

- 15 In addition to applying those principles, the AASB also considers whether to add disclosures to address matters of public policy or to reflect Australian-specific issues.⁵

Staff analysis

- 16 Staff consider that the disclosures introduced by the amending Standard 2025-4 are less likely to affect the ability of users to assess short-term cash flows and obligations, commitments or contingencies; liquidity and solvency and disaggregation of amounts presented in the financial statements. The main disclosure requirements relate solely to clarifying the translation of amounts, rather than to providing additional information about underlying cash flows, obligations, or liquidity. They neither affect the level of disaggregation required in financial statements nor the measurement of uncertainties or accounting policy choice (See the detailed staff analysis in the Appendix).
- 17 Staff consider that the disclosures do not address a matter of public policy and do not reflect specific Australian issues because Australia has not been identified as a hyperinflationary economy at any point in its history.⁶ In addition, the latest publication by the Australian Bureau of Statistics (2020) identifies the top ten countries with the highest presence of foreign affiliates of Australian resident businesses, none of which are hyperinflationary economies.⁷
- 18 Staff are of the view that the disclosures relating to translation to a hyperinflationary presentation currency have a limited applicability on Tier 2 entities.
- 19 Based on the analysis above, staff do not consider including additional disclosures relating to translation to a hyperinflationary presentation currency in AASB 1060.

Questions to Board members

Question 1: Do Board members have any questions or comments on the staff analysis?

Question 2: Do Board members agree with the staff recommendation in paragraph 19? If not, what do Board members suggest?

5 See paragraph 55 of the For-Profit Entity Standard-Setting Framework and paragraph 42 of the Not-for-Profit Entity Standard-Setting Framework

6 See [70 years of inflation in Australia](#) (Australian Bureau of Statistics, 2018) and [Hyperinflationary economies update as at 31 October 2023 - Why this matters for your financial statements](#) (BDO Australia, 2023)

7 See [Australian outward foreign affiliates trade](#) (Australian Bureau of Statistics, 2020)

Appendix

20 The Appendix provides a detailed explanation supporting the staff analysis in paragraph 16 of this Agenda Paper. In assessing the amendments to AASB 1060, staff considered the disclosure requirements in AASB 121 and IFRS 19. The staff analysis is presented below.

AASB 121 full disclosures (amendments)	IFRS 19 reduced disclosure	Staff analysis: Consideration for AASB 1060
<p>53A When an entity applies paragraph 41A to translate its results and financial position or the results and financial position of a foreign operation, the entity shall disclose the fact that all amounts (ie assets, liabilities, equity items, income and expenses and, if not applying paragraph 47A, comparatives) in its financial statements, or the results and financial position of its foreign operations, have been translated at the closing rate at the date of the most recent statement of financial position.</p>	<p>219A When an entity applies paragraph 41A of IAS 21 to translate its results and financial position or the results and financial position of a foreign operation, the entity shall disclose the fact that all amounts (ie assets, liabilities, equity items, income and expenses and, if not applying paragraph 47A of IAS 21, comparatives) in its financial statements, or the results and financial position of its foreign operations, have been translated at the closing rate at the date of the most recent statement of financial position.</p> <p>Staff compared paragraph 219A of IFRS 19 to 53A of AASB 121 and noted that the IASB decided not to reduce the disclosures for eligible subsidiaries.</p>	<p>Staff noted the disclosure provide information about the exchange rate used to translate amounts in the financial statement. Although the disclosure provides an information about a measurement basis, it does not provide information about measurement uncertainty.</p>
<p>53B When an entity's functional currency is that of a hyperinflationary economy, and that entity applies paragraphs 41A and 47A to translate the results and financial position of its foreign operations, the entity shall disclose summarised financial information about its foreign operations that enables users of financial statements to assess the effect of these foreign operations on the entity's results and financial position. The entity shall label the comparative summarised financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 34 of AASB 129.</p>	<p>219B When an entity's functional currency is that of a hyperinflationary economy, and that entity applies paragraphs 41A and 47A of IAS 21 to translate the results and financial position of its foreign operations, the entity shall disclose summarised financial information about its foreign operations. The entity shall label the comparative summarised financial information about its foreign operations to identify that the entity prepared the information by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 34 of IAS 29.</p> <p>Staff reviewed the disclosure included in IFRS 19 and noted that the disclosure was slightly simplified to omit a statement, which states: "...that enables users of financial statements to assess the effect of these foreign operations on the entity's results and financial position." However, in substance, the disclosures requirements are not reduced for eligible subsidiaries.</p>	<p>Staff acknowledged that the disclosure might provide useful information about the entity's composition and risk profile – the extent of the non-hyperinflationary transactions of the foreign operation and its impact on the group consolidation. However, the disclosure does not provide information about the entity's cash flows, obligations, liquidity, measurement of uncertainties, accounting policy choices or disaggregation of amounts presented in the financial statements.</p>
<p>54A When an entity applies paragraph 41B, the entity shall disclose the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy</p>	<p>220A When an entity applies paragraph 41B of IAS 21, the entity shall disclose the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy.</p> <p>Staff compared paragraph 220A of IFRS 19 to 54A of AASB 121 and noted that the IASB decided not to reduce the disclosures for eligible subsidiaries.</p>	<p>Staff noted that while this disclosure provides useful information about translation, it does not provide information about the entity's cash flows, obligations, liquidity, measurement of uncertainties, accounting policy choices or disaggregation of amounts presented in the financial statements.</p>