Issue 243 / November 2025

IFRS Developments

Translation to a Hyperinflationary Presentation Currency

(Amendments to IAS 21)

What you need to know

- The amendments to IAS 21 require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate.
- An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29, to the foreign operation's comparative figures.
- The amendments introduce certain additional disclosures.
- The amendments apply for annual reporting periods beginning on or after 1 January 2027 and earlier application is permitted.

Highlights

On 13 November 2025, the International Accounting Standards Board (the Board) issued *Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21* (the Amendments). The Amendments are intended to improve the usefulness of the resulting information in a cost-effective manner. They are effective for annual periods beginning on or after 1 January 2027, but may be applied earlier.

Background

Under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, the method of translation depends on whether the entity's functional currency is that of a hyperinflationary economy or not, and if it is, whether it is being translated into a presentation currency which is that of a hyperinflationary economy or not. A hyperinflationary economy is defined in IAS 29 *Financial Reporting in Hyperinflationary Economies*.

The Board concluded that, when translating financial information from a non-hyperinflationary functional currency into a hyperinflationary presentation currency, the existing requirements result in diversity in practice and information that is not always useful for users of financial statements.

Translation to the presentation currency

The table below shows for each of the possible currency translation scenarios, which requirements had to be applied in the previous version of IAS 21 and which requirements should be applied in the amended version of IAS 21:

Requirements of IAS 21 compared to IAS 21 as amended

	Previous version of IAS 21	Amendments to IAS 21	
	Functional currency	Functional currency	
	Non-hyperinflationary	*Non-hyperinflationary*	
Presentation currency			
Non-hyperinflationary	IAS 21.39	IAS 21.39	(a)
Hyperinflationary	IAS 21.39	IAS 21.41A	(b)
	Functional currency	Functional currency	
	Hyperinflationary	*Hyperinflationary*	
Presentation currency			
Non-hyperinflationary	IAS 21.42(a)-(b)	IAS 21.42(a)-(b)	(c)
Hyperinflationary	IAS 21.42(a)	IAS 21.42(a) IAS 21.47A	(d)

(a) Non-hyperinflationary functional currency to non-hyperinflationary presentation currency

If an entity's functional currency and presentation currency differ and are not the currencies of hyperinflationary economies, then the following procedure under paragraph 39 of IAS 21 is applied to the translation to the presentation currency:

- Assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the reporting date
- Income and expenses for each statement of comprehensive income or separate income statement presented (i.e., including comparatives) are translated at exchange rates at the dates of the transactions
- All resulting exchange differences are recognised in other comprehensive income

These requirements are unchanged by the Amendments.

(b) Non-hyperinflationary functional currency to hyperinflationary presentation currency

If an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, paragraph 41A of the amended IAS 21 now requires that its results and financial position are translated into the presentation currency by translating:

- All amounts (i.e., assets, liabilities, equity items, income and expenses) at the closing rate at the date of the most recent statement of financial position
- All comparatives at the closing rate at the date of the most recent statement of financial position

As explained under (d) below, paragraph 41A of IAS 21 does not apply to the comparative amounts of a foreign operation whose results and financial position are translated for inclusion in the financial statements of an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy.

When the entity's presentation currency ceases to be hyperinflationary and the entity's functional currency continues to be the currency of a non-hyperinflationary economy, then paragraph 41B of IAS 21 states that the entity is no longer required to apply paragraph 41A of IAS 21. Instead, the entity must prospectively apply paragraph 39 of IAS 21 (see (a) above) from the beginning of the reporting period in which the economy ceases to be hyperinflationary. That is, the entity does not restate comparative amounts.

(c) Hyperinflationary functional currency to non-hyperinflationary presentation currency

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy are translated into a non-hyperinflationary presentation currency using the following procedures under paragraphs 42(a)-(b) of IAS 21:

- All amounts (i.e., assets, liabilities, equity items, income and expenses) are translated at the closing rate at the date of the most recent statement of financial position
- Comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for subsequent changes in the price level or subsequent changes in exchange rates)

These requirements are unchanged by the Amendments.

(d) Hyperinflationary functional currency to hyperinflationary presentation currency

The results and financial position of an entity with a hyperinflationary functional currency are translated into a different hyperinflationary presentation currency using the following procedures under paragraph 42(a) of IAS 21. That means that all amounts (i.e., assets, liabilities, equity items, income and expenses, including comparatives) are translated at the closing rate at the date of the most recent statement of financial position.

As mentioned under (b) above, an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) may need to translate the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. In accordance with paragraph 47A of the amended IAS 21, the entity does not apply paragraph 41A of IAS 21 to the comparative amounts of that foreign operation. Instead it restates the comparative amounts of that foreign operation included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures for the previous reporting period in accordance with paragraph 34 of IAS 29. Before the Amendments, other approaches were sometimes used in practice.

Disclosures

An entity that applies paragraph 41A of IAS 21 is required to disclose the fact that all amounts (i.e., 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.

If an entity applies paragraph 41B of IAS 21, it is required to disclose that its presentation currency has ceased to be the currency of a hyperinflationary economy.

If an entity applies paragraphs 41A and 47A of IAS 21 to translate the results and financial position of its foreign operations, it is required to 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 is required to 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.

Effective date and transition

The Amendments apply for annual reporting periods beginning on or after 1 January 2027. Earlier application of the Amendments is permitted, but an entity is required to disclose that fact.

If an entity's functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and it translates the results and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy, then it is required to:

- Apply the Amendments from the beginning of the annual reporting period in which it first applies the Amendments
- Restate the comparative amounts of its foreign operations included in the entity's previously issued financial statements by applying the general price index it applies to corresponding figures in accordance with paragraph 34 of IAS 29
- Disclose comparative summarised financial information about its foreign operations and label such information to identify that the entity prepared the information by applying the guidance in the previous bullet

Except as specified above, an entity applies the Amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and is not required to disclose the information about the financial statement line items affected nor, where applicable, earnings per share that would otherwise be required by paragraph 28(f) of IAS 8.

The requirements of IFRS 19 *Subsidiaries without Public Accountability: Disclosures* are also amended.

How we see it

The new guidance in paragraph 47A of IAS 21 reduces diversity in practice by requiring comparative information of foreign operations with a non-hyperinflationary functional currency (e.g., Euro) to be restated by applying the general price index that a reporting entity with a hyperinflationary functional and presentation currency (e.g., Turkish parent) applies to corresponding figures for the previous reporting period in accordance with paragraph 34 of IAS 29.

The new guidance in paragraph 41A of IAS 21 simplifies the translation from a non-hyperinflationary functional currency (e.g., US dollars) into a hyperinflationary presentation currency (e.g., Argentine peso) by requiring all amounts, including comparatives, to be translated at the closing rate at the date of the most recent statement of financial position.

EYG no. 009757-25Gbl

UKC-041971 (UK) 11/25.

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