

21 November 2019

IFRS Interpretations Committee
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

**Comments on three Tentative Agenda Decisions relating to
IAS 21 *The Effects of Changes in Foreign Exchange Rates* and
IAS 29 *Financial Reporting in Hyperinflationary Economies***

1. The Accounting Standards Board of Japan (the “ASBJ”) welcomes the opportunity to comment on the following three IFRS Interpretation Committee’s (the “Committee”) tentative agenda decisions relating to IAS 21 *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”) and IAS 29 *Financial Reporting in Hyperinflationary Economies* (“IAS 29”), proposed in the September 2019 IFRIC Update.
 - Translating a Hyperinflationary Foreign Operation—Presenting Exchange Differences
 - Cumulative Exchange Differences before a Foreign Operation becomes Hyperinflationary
 - Presenting Comparative Amounts when a Foreign Operation first becomes Hyperinflationary

Translating a Hyperinflationary Foreign Operation—Presenting Exchange Differences

2. The Committee’s tentative agenda decision rejects only one view related to the exchange differences that arise from translating the financial performance and financial position of a foreign operation whose functional currency is the currency of

a hyperinflationary economy into a presentation, that is, to present the entire difference in equity. As a result, the tentative agenda decision explains that all or part of the difference will be presented in other comprehensive income (“OCI”).

3. However, to resolve this issue comprehensively, we think the Committee should not publish this agenda decision rejecting a certain interpretation but rather research on the needs for a project to revise IAS 29 should first be undertaken. Then, consideration should be given as to where to proceed to standard-setting activities for the following reasons:

- (a) While the issue is related to the concept of capital maintenance, the IASB noted in the course of revising the Conceptual Framework that the issues associated with capital maintenance should be addressed when the IASB undertakes research to determine whether to revise IAS 29. The issue implies that IAS 29 is not necessarily clear.
- (b) IAS 21 and IAS 29 do not provide specific guidance regarding (1) whether the restatement effect and the translation effect should be presented separately; nor (2) where to present the amounts of these effects.
- (c) Although the submitter expressed concerns related to presenting the effects of inflation and the changes in exchange rate separately because of the economic interrelationship between the two, no analysis regarding this concern has been performed.
- (d) Given that the two views that are considered to be acceptable in the tentative agenda decision have different accounting consequences, we think the Committee should consider which view is appropriate.
- (e) Paragraph 88 of IAS 1 requires an entity to include all items of income and expense in profit or loss unless IFRS requires or permits otherwise. In the context of this issue, there is no explicit requirement in IFRS and, therefore, we think that an entity cannot interpret existing guidance to conclude that the difference should be presented in OCI.

Cumulative Exchange Differences before a Foreign Operation becomes Hyperinflationary

4. In light of the existing requirements in IFRS standards, we can accept the analysis in the tentative agenda decision as one interpretation. However, we are of the view that the accounting may change depending on how the issue of “Translating a Hyperinflationary Foreign Operation—Presenting Exchange Differences” above (hereinafter referred to as “presenting exchange differences”) is analysed. Accordingly, we are of the view that the Committee should consider this issue together with the issue of the presenting exchange differences.

Presenting Comparative Amounts when a Foreign Operation first becomes Hyperinflationary

5. Given that diversity in practice has not been identified, we agree with the analysis not to add this issue to the standard-setting agenda.

6. We hope our comments are helpful for the Committee’s and the IASB’s consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,



Atsushi Kogasaka

Chair

Accounting Standards Board of Japan