November 21, 2024

IFRS Foundation
7 West ferry Circus
Canary Wharf
London E14 4HD, United Kingdom

RE: Translation to a Hyperinflationary Presentation Currency: Proposed amendments to IAS 21

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft, *Translation to a Hyperinflationary Presentation Currency: Proposed amendments to IAS 21*.

Our detailed comments on the questions raised in the Exposure Draft are attached in the appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

Dr. Ahmad Almeghames

SOCPA Chief Executive Officer

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Appendix: Translation to a Hyperinflationary Presentation Currency: Proposed amendments to IAS 21

Question 1 — Proposed translation method

The proposed amendments to IAS 21 would require that when an entity's presentation currency is the currency of a hyperinflationary economy but the functional currency is the currency of a non-hyperinflationary economy, the entity translates its financial statements (or the results and financial position of a foreign operation), including comparatives, at the closing rate at the date of the most recent statement of financial position.

Paragraphs BC1–BC14 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for proposing this translation method.

Do you agree with the proposed translation method? Why or why not?

If you disagree, please explain what aspect of the proposed translation method you disagree with. What changes to the proposed translation method would you suggest instead and why?

SOCPA Comments: SOCPA believes the proposed translation method is an effective solution that balances simplicity and cost with the need for more accurate and useful financial reporting in hyperinflationary economies. The proposed approach is also logical, as the scenario described in paragraph 42 of IAS 21 and the situation in question 1 are similar in principle. Therefore, SOCPA believes the proposed accounting treatment is acceptable. SOCPA suggests the IASB to consider whether a reference to a 'foreign operation' should be made in the proposed paragraph 41A.

Question 2 — Proposed disclosure requirements

The proposed amendments to IAS 21 would require an entity using the proposed translation method to disclose:

a) the fact that it applies the translation method in proposed paragraph 41A (proposed paragraph 53A(a));
b) summarised financial information about its foreign operations translated applying proposed paragraph 41A (proposed paragraph 53A(b)); and
c) if the economy referred to in proposed paragraph 41A ceased to be hyperinflationary, that fact (proposed paragraph 54A).

Paragraphs BC20–BC27 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

Do you agree with the proposed disclosure requirements? Why or why not?

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If you disagree, please explain what aspect of the proposed disclosure requirements you disagree with. What disclosure requirements would you suggest instead and why?

SOCPA Comments:

SOCPA agrees with the proposed amendments and the associated disclosures as it will improve the usefulness of financial statements by providing transparency about the financial impact of foreign operations in hyperinflationary contexts.

SOCPA additionally believes the entity could be required to provide a breakdown of significant exchange rate fluctuations during the reporting period. This breakdown would provide insight into how the exchange rate movements contributed to the financial performance during the reporting period. SOCPA also suggests including an explicit disclosure requirement to disclose the fact when an entity's presentation currency becomes that of a hyperinflationary economy.

Question 3 — Proposed disclosure requirements for subsidiaries without public accountability

The IASB proposes to require an eligible subsidiary (subsidiaries that are permitted and elect to apply IFRS 19 Subsidiaries without Public Accountability: Disclosures) to disclose the same information as that which would be required of other entities applying IFRS Accounting Standards (that is, the IASB proposes not to reduce the disclosure requirements for an eligible subsidiary).

Paragraph BC28 of the Basis for Conclusions on this exposure draft explains the IASB's rationale for these proposals.

Do you agree with the proposed disclosure requirements for eligible subsidiaries? Why or why not?

If you disagree, please explain what aspect of the proposed disclosure requirements you disagree with. What reduced disclosure requirements would you suggest instead and why?

SOCPA Comments:

SOCPA agrees with the IASB's proposal to require eligible subsidiaries to disclose the same information as other entities applying IFRS standards. However, allowing for some flexibility based on materiality or the unique needs of non-publicly accountable entities could further optimize the balance between usefulness and cost-efficiency. One such example is: eligible subsidiaries when presenting transition disclosures could be allowed to omit retrospective adjustments for immaterial amounts rather than restating all prior periods. Retrospective

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adjustments can be burdensome, therefore limiting the requirement to material changes would reduce this burden without compromising the overall quality of financial information.

Question 4 — Other aspects: Transition requirements and requirements when the economy ceases to be hyperinflationary

The IASB proposes:

a) to require an entity to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
b) not to require an entity to disclose the information that would otherwise be required by paragraph 28(f) of IAS 8 or by paragraph 178(f) of IFRS 19; and
c) to permit an entity to apply the amendments earlier than the effective date.

Paragraphs BC33–BC36 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

If the economy referred to in proposed paragraph 41A ceases to be hyperinflationary, the proposed amendments to IAS 21 would require the entity to apply paragraph 39 of IAS 21 prospectively to amounts arising after the end of its previous reporting period—that is an entity would not restate amounts arising before the end of its previous reporting period.

Paragraphs BC16–BC19 of the Basis for Conclusions on this exposure draft explain the IASB's rationale for these proposals.

Do you agree with the proposals? Why or why not?

If you disagree, please explain what aspect of the proposals you disagree with. What would you suggest instead and why?

SOCPA Comments:

SOCPA supports the overall direction of these amendments.

SOCPA additionally believes the IASB should consider the broader economic and regulatory impacts of the proposed amendments, particularly in economies where hyperinflationary trends are unstable and unpredictable. The rapid rise and fall of hyperinflationary conditions could complicate compliance with the proposed amendments, potentially leading to inconsistencies in reporting from one period to the next. Therefore, SOCPA suggests that guidance on how to navigate rapidly changing hyperinflationary environments be included.

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