

## IFRS in Focus

### Reporting on periods ending after 1 July 2018 – Inflation in Argentina

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This *IFRS in Focus* addresses issues that arise in connection with the inflationary situation in Argentina and provides guidance on how to apply IAS 29 *Financial Reporting in Hyperinflationary Economies* in that context.

#### Introduction

As discussed in *IFRS in Focus Reporting on periods ending 30 June 2018 – Inflation in Argentina*, the cumulative three-year rate of inflation (based on all available indices) exceeded 100 per cent. This situation has persisted and, therefore, the Argentinian economy should be considered hyperinflationary and the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* applied in preparing interim or annual financial statements including operations with an Argentinian peso functional currency for accounting periods ending after 1 July 2018.

#### Identification of a general price index for Argentina

From January 2017 onwards, a national consumer price index (Índice de precios al consumidor, IPC) should be used in applying IAS 29 to Argentine operations.

In the past, the IPC rate was constructed based on the costs of a limited range of goods and services measured in the City of Buenos Aires and the Greater Buenos Aires area. For this reason, in the past, the internal wholesale price index (Índice de Precios Internos al por Mayor, IPIM) was considered more representative of the general variation of price levels across Argentina. From the start of 2017, the IPC was redefined by the National Statistics and Censuses Institute (Instituto Nacional de Estadística y Censos, INDEC) and started being measured in different provinces. Using the IPC is more compatible with how inflation is measured internationally.

To address the historic variation in price indices, the Argentinian Federation of Professional Councils in Economic Science (Federación Argentina de Consejos Profesionales de Ciencias Económicas, FACPCE) has published [Resolución 539/18 JG](#) ('the resolution'). The resolution amends, amongst other earlier pronouncements, [Resolución Técnica N° 6 \(Estados contables en moneda homogénea\)](#) to state that entities shall use a combination of indices in calculation indexation adjustments:

- the IPC – [consumer price index](#) for January 2017 onwards;
- the IPIM – [internal wholesale price index](#) for earlier months; excluding November and December 2015, for which IPIM rates were not available. For these months, the [consumer price index for the City of Buenos Aires](#) (Índice de Precios al Consumidor de la Ciudad de Buenos Aires, IPCBA) should be used.

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

Each of these rates is published by the INDEC. FACPCE will publish an index prepared using the above combination of indices on a monthly basis.

### Retranslation of Argentine foreign operations

It should be noted that IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires a different method for the retranslation of foreign operations when that operation has a functional currency of a hyperinflationary economy. Under these requirements, the financial statements of the foreign operation are restated in accordance with IAS 29 and are then translated into the presentation currency using the **closing rate** for all items (including income and expenses).

### Disclosure in financial statements reporting on periods ending after 1 July 2018

The requirement of IAS 1 *Presentation of Financial Statements* on significant accounting judgements and of IAS 34 *Interim Financial Reporting* on significant events and transactions mean that the use of inflation accounting and its effect should be disclosed in the annual or interim financial statements of entities with material Argentine operations. These disclosures should usually include the judgement applied in identifying an appropriate index for the application of IAS 29.

### Further information

If you have any questions about the financial reporting effects of inflation in Argentina, please speak to your usual Deloitte contact or get in touch with a contact identified in this *IFRS in Focus*.

## Key contacts

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