

HKFRS/IFRS UPDATE 2026/02

May 2026

Amendments to HKAS/IAS 21 – Translation to a hyperinflationary presentation currency

Background

On 13 November 2025, the International Accounting Standards Board (IASB) issued *Translation to a Hyperinflationary Presentation Currency*, which amended IAS 21 *The Effects of Changes in Foreign Exchange Rates* (the Amendments). The HKICPA published the equivalent amendments to HKAS 21 on 7 January 2026.

The Amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy.

The Amendments arose from a submission received by the IFRS Interpretations Committee (the Committee) about the application of IAS 21 and IAS 29 *Financial Reporting in Hyperinflationary Economies*. The submission asked how an entity, whose functional and presentation currencies are the currency of a hyperinflationary economy, translates the results and financial position of a foreign operation, whose functional currency is the currency of a non-hyperinflationary economy.

The Amendments may be accessed on the [Translation to a Hyperinflationary Presentation Currency project page](#) on the IASB's website.

Entities expected to be affected by the Amendments

The Amendments may significantly affect the following entities:

- An entity with a functional currency that is the currency of a non-hyperinflationary economy that translates its financial statements into a presentation currency that is the currency of a hyperinflationary economy.
- An entity with a functional and presentation currency that is the currency of a hyperinflationary economy that translates the results and financial position of a foreign operation with a functional currency that is the currency of a non-hyperinflationary economy.

Status

Final

Effective date

1 January 2027

Accounting impact

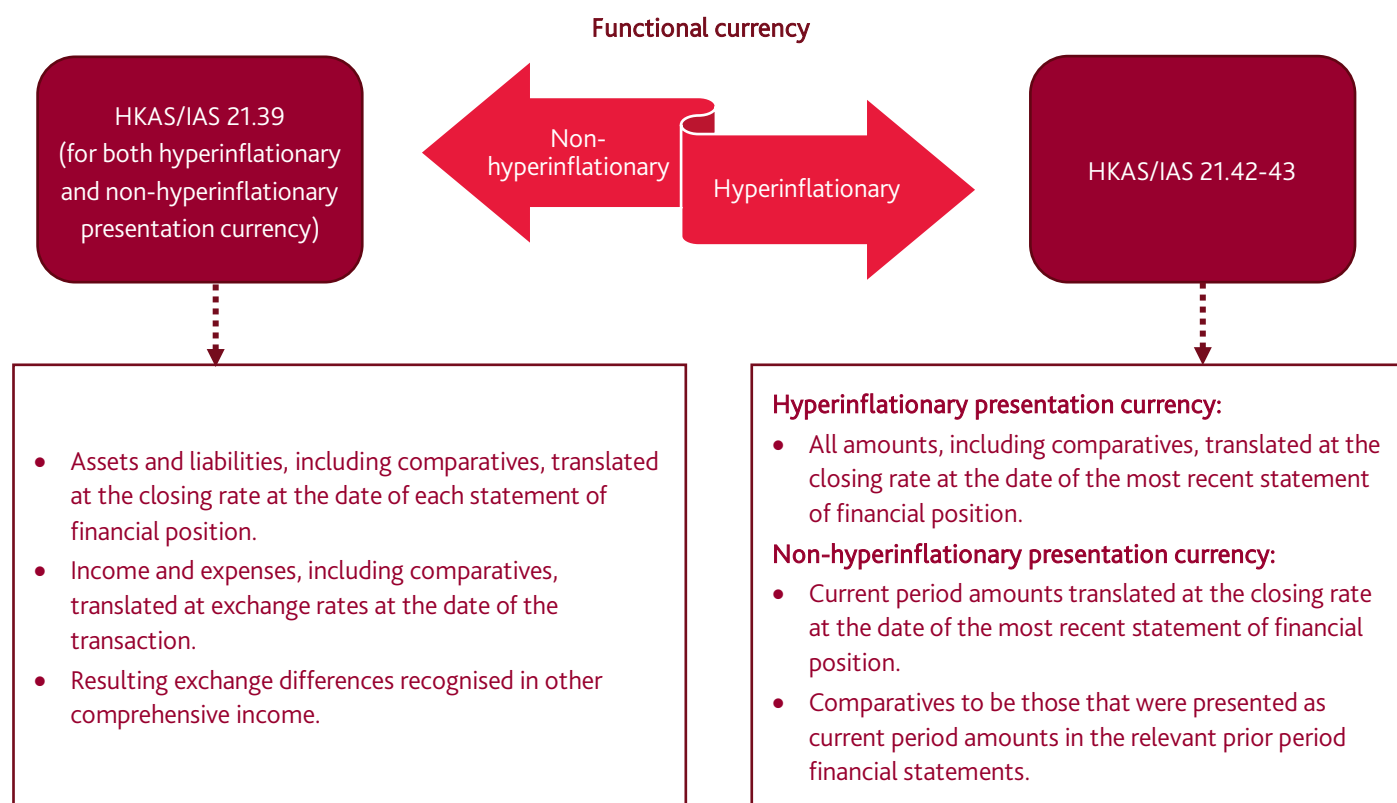
The Amendments specify the translation procedures for translation from a functional currency that is the currency of a non-hyperinflationary economy into a presentation currency that is the currency of a hyperinflationary economy. The Amendments address both translation of financial statements of an entity and translation of a foreign operation in this situation.

What is the issue being addressed by the Amendments?

Prior to the Amendments, HKAS/IAS 21.38-49 provided the translation requirements for use of a presentation currency other than the functional currency. HKAS/IAS 21.39 provided the translation procedures to be followed when an entity's functional currency is **not** that of a hyperinflationary economy and HKAS/IAS 21.42-43 provided the translation procedures to

be followed when an entity's functional currency is that of a hyperinflationary economy. These requirements were also applicable for translation of the results and financial position of a foreign operation.

The requirements of HKAS/IAS 21.39 were applied irrespective of whether the presentation currency was that of a hyperinflationary economy or not.



The IFRS Interpretations Committee (the Committee) received a submission about the application of IAS 21 and IAS 29 when an entity, with a functional and presentation currency of a hyperinflationary economy, translates the results and financial position of a foreign operation, whose functional currency is the currency of a non-hyperinflationary economy. For example, an entity with a functional and presentation currency of Argentine Peso (which is considered hyperinflationary as at the date of publishing this document) translates the results and financial position of a subsidiary with a functional currency of USD.

The submission noted that the entity, in this situation, would apply the requirements of IAS 21.39 for the translation.

The Commission was asked whether, after applying the requirements of IAS 21.39, the entity is required to apply IAS 29.26 and IAS 29.34 to restate the current period income and expenses and all comparative amounts of its foreign operation in terms of the measuring unit current at the end of the reporting period.

The Committee observed the following diverse accounting treatments being followed by entities in this situation:

- Alternative I: Not restating current period income and expenses and comparative amounts;
- Alternative II: Restating current period income and expenses and comparative amounts using the change in the general price index; and
- Alternative III: Restating only the comparative amounts using the change in the general price index.

During its research, the Committee also noted a related situation in which an entity, whose functional currency is that of a non-hyperinflationary economy, presents its financial statements in the currency of a hyperinflationary economy. In this situation, the entity also applied IAS 21.39 to translate its financial statements. IAS 29 applies only to the financial statements of entities whose functional currency is that of a hyperinflationary economy and therefore, in this situation, IAS 29 did not apply to the entity.

Stakeholders noted that amounts presented in the currency of a hyperinflationary economy are useful only if expressed in terms of a current measuring unit.

The Committee noted that when an entity translates amounts from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy, applying the requirements in IAS 21 did not result in useful information. The accounting matter was pervasive in many jurisdictions.

Therefore, the Committee recommended narrow-scope standard setting to the IASB.

The IASB issued an exposure draft in July 2024, which was open for comments up to 22 November 2024.

After deliberating on the feedback received, the IASB issued the Amendments in November 2025. The HKICPA published the equivalent amendments to HKAS 21 on 7 January 2026.

The Amendments

The Amendments amend HKAS/IAS 21.39 such that the requirements of HKAS/IAS 21.39 apply only when both the functional and presentation currency of an entity are those of non-hyperinflationary economies.

The Amendments introduce HKAS/IAS 21.41A which applies when an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy.

HKAS/IAS 21.41A (*emphasis* added)

*When an entity's **functional** currency is the currency of a **non-hyperinflationary** economy but its **presentation** currency is the currency of a **hyperinflationary** economy, the results and financial position of the entity shall be translated into the presentation currency by **translating all amounts** (ie **assets, liabilities, equity items, income and expenses, including comparatives**) **at the closing rate at the date of the most recent statement of financial position**.*

The Amendments also introduce HKAS/IAS 21.47A which applies when an entity, with a functional and presentation currency of a hyperinflationary economy, translates the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy. HKAS/IAS 21.47A requires the entity to restate the comparative amounts of the foreign operation in accordance with HKAS/IAS 29.34.

HKAS/IAS 21.47A (*emphasis* added)

*When an entity's **functional** currency and **presentation** currency are the currency of a **hyperinflationary economy** (or are the currencies of different hyperinflationary economies) and the entity translates the results and financial position of a **foreign operation** whose functional currency is that of a **non-hyperinflationary economy**, the entity shall **not apply paragraph 41A** to the **comparative amounts** of that foreign operation. Instead, the entity shall **restate 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 HKAS/IAS 29.*

There are no substantive changes to the requirements of HKAS/IAS 21.42, which apply when an entity, whose functional currency is the currency of a hyperinflationary economy, translates its financial statements into a different presentation currency.

The following tables summarise the requirements of HKAS/IAS 21 after the Amendments for the use of a presentation currency other than the functional currency (the hyperinflationary currencies included in the examples are current as at the date of publishing this document):

I. Translation of financial statements into a different presentation currency

Presentation currency	Hyperinflationary	Hyperinflationary	Non-hyperinflationary	Non-hyperinflationary
Functional currency	Non-hyperinflationary	Hyperinflationary	Non-hyperinflationary	Hyperinflationary
Example	An entity with a functional currency of USD presents its financial statements in Argentine Peso.	An entity with a functional currency of Argentine Peso presents its financial statements in Turkish Lira.	An entity with a functional currency of USD presents its financial statements in Euro.	An entity with a functional currency of Argentine Peso presents its financial statements in USD.
Addressed in the Amendments?	Yes	No	No	No
Relevant paragraphs of HKAS/IAS 21	HKAS/IAS 21.41A	HKAS/IAS 21.42(a)	HKAS/IAS 21.39	HKAS/IAS 21.42(a)-(b), HKAS/IAS 21.43
Translation of results and financial position for the current period	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.41A) (See illustration 1 below).	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.42(a)). As the functional currency is that of a hyperinflationary economy, HKAS/IAS 29 is applicable to the entity. Therefore, the financial statements are restated applying HKAS/IAS 29 before translation (HKAS/IAS 21.43).	Assets and liabilities: Translated at the closing rate at the end of the current reporting period (HKAS/IAS 21.39(a)). Income and expenses: Translated at exchange rates at the dates of the transactions (HKAS/IAS 21.39(b)).	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.42(a)). As the functional currency is that of a hyperinflationary economy, HKAS/IAS 29 is applicable to the entity. Therefore, the current period amounts are restated applying HKAS/IAS 29 before translation (HKAS/IAS 21.43).
Translation of the comparatives			Assets and liabilities: Translated at the closing rate at the date of the comparative statement of financial position (HKAS/IAS 21.39(a)) Income and expenses: Translated at exchange rates at the dates of the transactions (HKAS/IAS 21.39(b)).	Comparative amounts to be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates) (HKAS/IAS 21.42(b)) and (HKAS/IAS 21.43).

II. Translation of a foreign operation

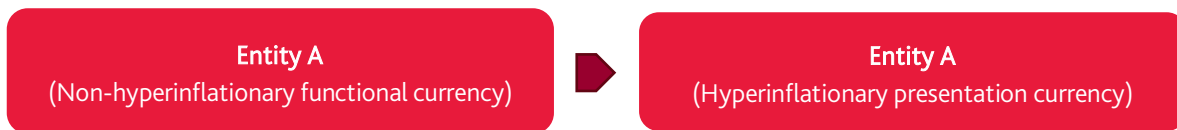
Parent's functional and presentation currency	Hyperinflationary	Hyperinflationary	Non-hyperinflationary	Non-hyperinflationary
Foreign operation's functional currency	Non-hyperinflationary	Hyperinflationary	Non-hyperinflationary	Hyperinflationary
Example	A parent entity with a functional and presentation currency of Argentine Peso consolidates a subsidiary with a functional currency of USD.	A parent entity with a functional and presentation currency of Argentine Peso consolidates a subsidiary with a functional currency of Turkish Lira.	A parent entity with a functional and presentation currency of USD consolidates a subsidiary with a functional currency of Euro.	A parent entity with a functional and presentation currency of USD consolidates a subsidiary with a functional currency of Argentine Peso.
Addressed in the Amendments?	Yes	No	No	No
Relevant paragraphs of HKAS/IAS 21	HKAS/IAS 21.41A and HKAS/IAS 21.47A	HKAS/IAS 21.42(a)	HKAS/IAS 21.39	HKAS/IAS 21.42(a)-(b), HKAS/IAS 21.43
Translation of results and financial position for the current period	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.41A).	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.42(a)). As the functional currency of the subsidiary is that of a hyperinflationary economy, HKAS/IAS 29 is applicable to the subsidiary. Therefore, the financial statements of the subsidiary are restated applying HKAS/IAS 29 before translation (HKAS/IAS 21.43).	Assets and liabilities: Translated at the closing rate at the end of the current reporting period (HKAS/IAS 21.39(a)). Income and expenses: Translated at exchange rates at the dates of the transactions (HKAS/IAS 21.39(b)).	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.42(a)). As the functional currency is that of a hyperinflationary economy, HKAS/IAS 29 is applicable to the entity. Therefore, the current period amounts are restated applying HKAS/IAS 29 before translation. (HKAS/IAS 21.43).
Translation of the comparatives	Comparative amounts of the foreign operation included in the entity's previously issued financial statements are restated by applying the general price index applied to the corresponding figures for the previous reporting period in accordance with HKAS/IAS 29.34 (HKAS/IAS 21.47A). (See illustration 2 below).		Assets and liabilities: Translated at the closing rate at the date of the comparative statement of financial position. (HKAS/IAS 21.39(a)) Income and expenses: Translated at exchange rates at the dates of the transactions (HKAS/IAS 21.39(b)).	Comparative amounts to be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates) (HKAS/IAS 21.42(b)) and (HKAS/IAS 21.43).

The following two illustrations provide highly simplified examples of the translation of the carrying amount of an item of property, plant and equipment in two scenarios:

- An entity with a functional currency that is the currency of a non-hyperinflationary economy translates its financial statements into a presentation currency that is the currency of a hyperinflationary economy
- An entity with a functional and presentation currency of a hyperinflationary economy translates the financial statements of a foreign operation with a functional currency that is the currency of a non-hyperinflationary economy.

Illustration 1: Translation of financial statements into a different presentation currency

(Translation of financial statements from a functional currency that is the currency of a non-hyperinflationary economy to a presentation currency that is the currency of a hyperinflationary economy)



Fact pattern:

Entity A has a functional currency NC, which is the currency of a non-hyperinflationary economy. It presents its financial statements in a different presentation currency, currency HC, which is the currency of a hyperinflationary economy.

Entity A purchases an item of property, plant and equipment (PPE) on 31 December 20X5 for NC1,000. Assume there is no depreciation and the carrying amount of the item of PPE on 31 December 20X6 continues to be NC1,000.

The exchange rate between NC and HC is as below:

31 December 20X6: 1 NC = 20 HC

31 December 20X5: 1 NC = 10 HC

Analysis:

For translation of its financial statements, Entity A is required to translate all amounts, including comparatives, at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.41A).

Therefore, the item of PPE would be translated as follows:

	31 December 20X6	31 December 20X5
Exchange rate to be used (closing rate as at 31 December 20X6)	1 NC = 20 HC	1 NC = 20 HC
Carrying amount of the item of PPE in NC	NC1,000	NC1,000
Amount translated in HC	NC1,000 * 20 = HC20,000	NC1,000 * 20 = HC20,000

Illustration 2: Translation of a foreign operation

(Translation of financial statements of a subsidiary with a functional currency that is the currency of a non-hyperinflationary economy by a parent with a functional and presentation currency that is the currency of a hyperinflationary economy)

Parent P
(Hyperinflationary functional and
presentation currency)

Subsidiary S
(Non-hyperinflationary
functional currency)

Fact pattern:

Parent P has a functional and presentation currency HC, which is the currency of a hyperinflationary economy. It has a foreign operation, Subsidiary S. Subsidiary S' functional currency is LC, which is the currency of a non-hyperinflationary economy.

Parent P translates the financial statements of Subsidiary S into currency HC for consolidation.

Subsidiary S purchases an item of PPE on 31 December 20X5 for LC1,000. Assume there is no depreciation and the carrying amount of the item of PPE on 31 December 20X6 continues to be LC1,000.

The exchange rate between LC and HC is as below:

31 December 20X6: 1 LC = 20 HC

31 December 20X5: 1 LC = 10 HC

The general price indices for currency HC were:

31 December 20X6: 180

31 December 20X5: 100

Parent P translated the carrying amount of the item of PPE on 31 December 20X5 using the exchange rate at that rate. Therefore, the translated amount as at 31 December 20X5 was HC10,000 (ie LC1,000 * 10).

Analysis:

- Parent P is required to translate the amounts for the current period at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.41A).

Therefore, Parent P translates the amount of the item of PPE as at 31 December 20X6 at the exchange rate of 1LC = 20HC. The translated amount as at 31 December 20X6 is HC20,000.

- Parent P is required to restate the comparative amounts of Subsidiary S included in Parent P's previously issued financial statements by applying the general price index (HKAS/IAS 21.47A).

The comparative amount of the PPE included in the previously issued financial statements for the annual reporting period ended 31 December 20X5 was HC10,000. Parent P applies a general price index of 180 to this amount, the indexing adjustment being (180/100). Therefore, the restated amount of the item of PPE as at 31 December 20X6 is HC18,000 (ie HC10,000 * 180/100).

Therefore, the amounts included in the financial statements for the period ended 31 December 2026 of Parent P for the item of PPE would be as follows:

	31 December 20X6	31 December 20X5
Item of PPE	HC20,000	HC18,000

BDO Comment

Hyperinflationary presentation currency - Difference in the translation method for translation to a different presentation currency and translation of a foreign operation

The translation procedures to be followed in accordance with HKAS/IAS 21 are the same for translating an entity's financial statements into a different presentation currency and for translating the financial statements of a foreign operation into a different presentation currency for consolidation by the parent entity. However, the Amendments have introduced an exception to this general requirement in cases where the presentation currency is that of a hyperinflationary economy and the financial statements being translated are in a currency that is a currency of a non-hyperinflationary economy.

The exception is for the translation of the comparatives.

	Translation of an entity's financial statements	Translation of a foreign operation
Comparatives	Translated at the closing rate at the date of the most recent statement of financial position (HKAS/IAS 21.41A).	Comparative amounts of the foreign operation included in the entity's previously issued financial statements to be restated by applying the general price index applied to corresponding figures for the previous reporting period in accordance with HKAS/IAS 29.34 (HKAS/IAS 21.47A).

This difference can be seen in the results of illustration 1 and illustration 2 above.

In Illustration 1, the comparative amount of the PPE was HC20,000; whereas in illustration 2, the comparative amount was HC18,000.

In the exposure draft published in July 2024, the IASB had proposed that the same translation method would apply to both the above situations ie translation of all amounts, including comparatives, would be at the closing rate at the date of the most recent statement of financial position. However, stakeholders raised concerns about the cost of applying this method for translation of a foreign operation. An entity applying this method for translating the financial statements of a foreign operation would need to retranslate the comparative information and then reperform the consolidation procedures for the comparative information. Therefore, the IASB decided to include the exception in the Amendments (IAS 21.BC78-82).

The application of the exception is not elective. An entity is required to apply the exception.

Presentation currency ceases to be hyperinflationary:

The Amendments introduce HKAS/IAS 21.41B, which applies when the economy whose currency is 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. In this case, the entity is required to apply HKAS/IAS 21.39 prospectively from the beginning of the reporting period in which the economy ceases to be hyperinflationary. The entity is not permitted to retranslate the amounts that arose before the beginning of the reporting period.

Disclosure requirements

The Amendments introduce three new disclosure requirements – HKAS/IAS 21.53A, HKAS/IAS 21.53B and HKAS/IAS 21.54A.

1. When an entity applies HKAS/IAS 21.41A to translate its results and financial position or the results and financial position of a foreign operation (HKAS/IAS 21.53A):
 - Disclosure of 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.
2. When an entity's functional currency is that of a hyperinflationary economy and the entity applies HKAS/IAS 21.41A and HKAS/IAS 21.47A to translate the results and financial position of its foreign operations (HKAS/IAS 21.53B):
 - Disclosure of summarised financial information
 - Labelling 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 HKAS/IAS 29.34.
3. When an entity applies HKAS/IAS 21.41B, ie its presentation currency ceases to be hyperinflationary (HKAS/IAS 21.54A):
 - Disclosure of the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy.

Effective date and transition

The Amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The Amendments are applicable retrospectively in accordance with HKAS/IAS 8 *Basis of Preparation of Financial Statements*, with an exception that applies for an entity, whose functional currency and presentation currency are the currency of a hyperinflationary economy (or are the currencies of different hyperinflationary economies) and that translates the results and financial position of foreign operations whose functional currency is that of a non-hyperinflationary economy. Such entity is required to:

- i. apply the amendments from the beginning of the annual reporting period in which it first applies the Amendments;
- ii. 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 HKAS/IAS 29.34; and
- iii. disclose comparative summarised financial information about its foreign operations and label such information to identify that the entity prepared the information by applying (ii).

The exception is not elective and an entity is required to apply the exception.

The following example illustrates the application of this exception:

EXAMPLE – APPLICATION OF THE EXCEPTION TO THE TRANSITION REQUIREMENTS

The functional and presentation currency of Parent P is HC, which is the currency of a hyperinflationary economy. Parent P has a subsidiary, Subsidiary S. Subsidiary S' functional currency is NC, which is the currency of a non-hyperinflationary economy. Parent P initially applies the Amendments for annual reporting period beginning on 1 January 20X7.

Prior to the initial application of the Amendments, Parent P restated the current period income and expenses and the comparative amounts of the foreign operation using the general price index. Therefore, the income and expenses of Subsidiary S for the year 20X6 included in Parent P's financial statements for the year ended 31 December 20X6 were restated.

For its consolidated financial statements for the year ended 31 December 20X7, applying the exception in the transition requirements, Parent P would be required to restate the comparative amounts of Subsidiary S included in Parent P's financial statements for the year ended 31 December 20X6 by applying the general price index it applies to corresponding figures in accordance with HKAS/IAS 29.34.

Had the exception not been provided for and had the Amendments been applicable retrospectively in their entirety, Parent P would have been required to determine the amounts of Subsidiary S for the year ended 31 December 20X6 to be consolidated for the year 20X6 as current year amounts in accordance with HKAS/IAS 21.41A. Therefore, Parent P would have required to reverse the restatement performed in 20X6 and translate all amounts (assets, liabilities, income and expenses) of 20X6 at the closing rate as at 31 December 20X6. Thereafter, it would have been required to restate these comparative amounts in accordance with HKAS/IAS 21.47A for inclusion in the financial statements for the year ended 31 December 20X7.

The exception provided permits Parent P to consider the amounts for 20X6 included in the financial statements of 20X6 for the application of the general price index in 20X7, irrespective of the method followed for determining the amounts in 20X6.

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