Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik “Exchange rates in Venezuela” stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:

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In brief

Exchange rates in Venezuela

This In brief supersedes In brief INT2014-01 Exchange rates in Venezuela for reporting periods starting after 12 February 2015

February 2015

Issue

Currency exchange legislation in Venezuela was amended in February 2015 to create a new system(known as SIMADI), which permits foreign exchange barter and cash transactions. SIMADI allows both individuals and entities to buy and sell foreign currency with fewer restrictions than other systems in Venezuela.

There were three legal exchange rates in Venezuela at 31 December 2014 that could be used for translation under IAS 21: CENCOEX, SICAD-I and SICAD-II.

The new legislation merges SICAD-I and SICAD-II and creates SIMADI, which means that there continue to be three legal exchange rates between the Venezuelan currency (VEF) and US dollars (USD), all of which meet the definition of a spot rate in IAS 21. The three rates at February 12. 2015 were:

- CENCOEX: 6.3 VEF/1 USD (fixed).
- SICAD: 12 VEF/1 USD (variable average based on each auction).
- SIMADI: 170 VEF/1 USD (daily variable average based on market transactions).

For 31 December 2014 year ends, the introduction of the new system is a non-adjusting event under paragraph 10 of IAS 10.

Impact

Management will need to consider an entity's specific circumstances and apply judgment to determine the most appropriate rate to translate each monetary asset and each monetary liability and to translate the net investment in Venezuelan subsidiaries. Entities should disclose the rates used, the basis for using those rates and the effect on the amounts reported in the financial statements.

Measuring assets and liabilities denominated in foreign currency

IAS 21 requires that the rate used to translate foreign currency transactions and balances where several exchange rates are available, is the *"rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date."*

All three published exchange rates qualify as a spot rate and can be used to translate monetary assets and liabilities. Judgment is required to determine the rate that best reflects the guidance in IAS 21.

There might be specific assets and liabilities that management expects will be settled at a specific rate (for example: a specific liability for which management has applied for dollars using CENCOEX or SICAD, or a specific asset that can be freely sold using SIMADI). In less clear circumstances, management should use judgment to determine the rate at which each balance could have been settled.

The rate (or rates) used and the impact should be disclosed clearly. The rate (or rates) used might also be a significant accounting judgment to be disclosed under IAS 1, and management should consider disclosing the sensitivity of using a different exchange rate.

Net assets of a subsidiary in Venezuela

Parent companies typically use the dividend remittance rate to translate the net assets of a foreign operation.

None of the current regulations specifically address dividends. Management should therefore use judgment to determine the rate that best reflects the rate at which the future cash flows represented by the net investment could have been settled at the balance sheet date.

Management should be aware, in making this judgment, that dollars available for dividends through the previous systems have been very limited, and it is not yet clear how the new systems will be used for dividends. The current regulations appear to permith SICAD and SIMADI to be used for dividends, but no dollars have yet been delivered for this purpose.

Management should consider the particular circumstances, and views of the relevant regulator, and might also consider taking legal advice to determine the rate that will be available for dividends.

The rate used in translation and the impact should be disclosed clearly. The rate used might also be a significant accounting judgment to be disclosed under IAS 1, and management should consider disclosing the sensitivity of using a different exchange rate.

Cash balances and consolidation

Management should also consider disclosing under IAS 7 the effect of the exchange controls in Venezuela on whether cash balances are available for general use by the group.

Please refer to In brief INT2015-03 *'Consolidation considerations for Venezuelan subsidiaries'* for considerations on the consolidation of Venezuelan subsidiaries.

Effect on 31 December 2014 financial statements
Entities should not apply the SIMADI exchange rate to translate balances or the net investment in Venezuelan subsidiaries at 31 December 2014. The introduction of the new system is a non-adjusting event under paragraph 10 of IAS 10. Entities should include the disclosures required by paragraph 21 of IAS 10 to the impact is material.