

Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik „South Sudan enters hyperinflation“ stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:



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In brief

A look at current financial reporting issues

18 April 2016

South Sudan enters hyperinflation

Issue

The economic environment in South Sudan deteriorated rapidly towards the end of 2015. Cumulative inflation for the year to the end of January 2016 exceeded 100% and South Sudan should therefore be considered a hyper inflationary economy in 2016. [IAS 29, 'Financial Reporting in Hyperinflationary Economies'](#), should be applied by entities with a South Sudanese pound functional currency to financial statements for the year ending 31 December 2016 and for interim periods within that year. IAS 29 should also be applied to restate the financial statements of subsidiary entities with a South Sudanese pound functional currency before they are included in the consolidation at 31 December 2016.

Impact

Why is South Sudan hyperinflationary?

Quantitative factors

IAS 29 states that a cumulative inflation rate over three years at or approaching 100% is an indicator that an economy is hyper inflationary. Information from the International Monetary Fund suggested that inflation at the end of 2015 was likely to approach 100%. However, information published by the local bureau of statistics in 2016 shows that inflation for the year to the end of January 2016 was 165%, significantly in excess of 100%

Qualitative factors

IAS 29 also requires a number of qualitative factors to be considered to determine whether an economy is hyperinflationary. The qualitative factors do not contradict the rate of inflation and the economy should be considered hyper inflationary in 2016.

Who is affected?

Entities with a South Sudanese pound functional currency re-statement is required

IAS 29 paragraph 4 and IFRIC 7 paragraph 3 require the financial statements to be restated in the reporting period in which an entity identifies the existence of a hyperinflationary economy. IAS 29 should be applied as if the economy had always been hyperinflationary. Transactions in 2016 and non-monetary balances at the end of the year should be restated to reflect a price index current at the 2016 balance sheet date. The comparatives and the opening statement of financial position at the

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beginning of the earliest period should also be restated to reflect a price index current at the 2016 balance sheet date.

A detailed description of the restatement procedures and some illustrative examples are contained in **Chapter 31** of the IFRS Manual of Accounting 2016 and the publication 'Financial Reporting in Hyperinflationary Economies – Understanding IAS 29.'

Entities with a subsidiary that has a South Sudanese pound functional currency

A parent that reports its consolidated financial statements in a currency of a non-hyperinflationary economy (a 'stable currency') should restate the financial statements of a subsidiary with the South Sudanese pound as its functional currency in accordance with IAS 29 before inclusion in the consolidation. All amounts for the current period should then be translated into the stable currency at the closing rate. The comparatives, which were presented as current year amounts in the prior-year financial statements in a stable currency, are not restated (that is, they are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates) in accordance with IAS 21 paragraph 43 and IAS 21 paragraph 42(b). The resulting difference is recognised as a movement in the equity items to which it relates.

2015 financial statements?

Information from the International Monetary Fund suggests that inflation at the end of 2015 was likely to approach 100%. However, information published by the local bureau of statistics in 2016 suggests that inflation exceeded 100% at the end of 2015. Judgment based on the qualitative factors should be used by entities that have not yet prepared the 2015 financial statements to determine whether South Sudan was hyperinflationary in that year.

For more information, speak to your local PwC contact.

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