



IAS-29-Financial-Reporting-in-
Hyperinflationary-Economies

Investor Education



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IAS 29 establishes specific standards for entities reporting its financial statements in a functional currency that is the currency of a hyperinflationary economy.

- Argentina met the criteria to be considered a hyperinflationary economy as provided by IAS 29 guidelines, which include, among other characteristics, a cumulative inflation rate over three years that approaches or exceeds 100%
- Accordingly, IAS 29 must be applied for financial statements for fiscal years ending on or after July 1, 2018.
- In Feb 2019, through Com "A" 6651, the Central Bank adopted IAS 29 and the inflation adjustments provisions stated therein for fiscal years starting January 1, 2020.



- Financial Statements must be expressed in units of the functional currency current as at the end of the reporting period
- Restatement to current units of currency is made using in a **Consumer Price Index** as published by the National Institute of Statistics ("INDEC") on a monthly basis

- **Non-monetary items** restated using the change in the consumer price index between the date those items were acquired or incurred and the balance sheet date, while
- **Monetary items** that are already stated at the measuring unit at the balance sheet date are not restated
- The gain or loss on the **net monetary position** must be included in profit or loss for the period and must be disclosed separately

NON-MONETARY ITEMS

Non-Monetary Items are restated by applying the change in the CPI index since the date of acquisition (or latest revaluation) and the balance sheet date.

Non-monetary items include:

- Fixed Assets
- Goodwill
- Intangible assets
- Shareholders' equity

Restatement of non-monetary assets

- Restatement of non-monetary assets increases their value and produces a gain



Restatement of non-monetary liabilities

- Restatement of non-monetary liabilities and shareholders' equity increases its value producing a loss



The **net gain or loss** is disclosed separately in the income statement.

MONETARY ITEMS

Monetary Items are already stated at the measuring unit at the balance sheet date, so they are not restated.

Monetary items include:

- Cash
- Government and private securities
- Loans
- Other receivables
- Deposits
- Financial Liabilities
- Other Liabilities

For financial institutions with mainly monetary assets and liabilities in their balance sheet, in most cases **the inflation adjustment will produce a net loss, as monetary assets exceed monetary liabilities.**



1/6 of the inflation losses arising in the current fiscal year will be deductible in that year, while the remaining 5/6 will be deductible in each of the subsequent 5 years.

Accordingly, 1/6 of the inflation losses reduces the current income tax provision, while the other 5/6 create a deferred tax asset.

Income Statement



- Income statement are also restated in units of the functional currency current as at the end of the reporting period, by applying the change in the CPI index from the date each income or expense was recorded.

Presentation & Disclosures



- For comparison purposes, monetary and non-monetary items from previous periods, are also restated in units of the measuring currency at the end of the latest reporting period.
- Also, Grupo Supervielle includes in its quarterly reports the restated 2019 figures by quarter, as well as managerial figures which exclude the IAS29 adjustment for the reporting period and comparison periods

Income Statement: New P&L item: “Result from exposure to changes in the purchasing power of the currency ”

	1Q20	4Q19	3Q19	2Q19	1Q19	QoQ	YoY
Net Interest Income							
NIFFI & Exchange Rate Differences							
Net Financial Income							
Net Service Fee Income ¹⁾							
Income from Insurance activities							
Result from exposure to changes in the purchasing power of the currency							
Loan Loss Provisions							
Personnel & Administrative Expenses							
Profit before income tax							
Attributable Net income							
Attributable Comprehensive income							

STEP 1

Calculate Net Monetary Assets at the beginning of the period.

STEP 2

Net Monetary Assets multiplied by change in the CPI-based index

STEP 3

Obtain Net Gain or Loss

Ways of
Calculating
Net
Monetary
assets



1. Monetary Assets – Monetary Liabilities, or
2. Shareholders' Equity - Non-Monetary assets: (assuming there aren't non-monetary liabilities)
3. This procedure applies only for a quick estimate, but will not necessarily coincide with the information published in the financial statements as inflation adjustment is derived from individual accounting records.

Example: "Estimating" the Result from exposure to changes in the purchasing power of the currency from December 19 to March 20

STEP 1

Calculate Net Monetary Assets at the beginning of the period.

STEP 2

Net Monetary Assets multiplied by change in the CPI-based index

STEP 4

Obtain Net Gain or Loss



Cash	\$26,403
Debt securities	\$11,240
Loans	\$88,922
Other financial assets and other receivables	\$9,646
Total Monetary Assets	\$136,211
Deposits	\$89,008
Financial Liabilities	\$20,818
Other Liabilities	\$14,968
Total Monetary Liabilities	\$124,794
Net Monetary Assets	\$11,417

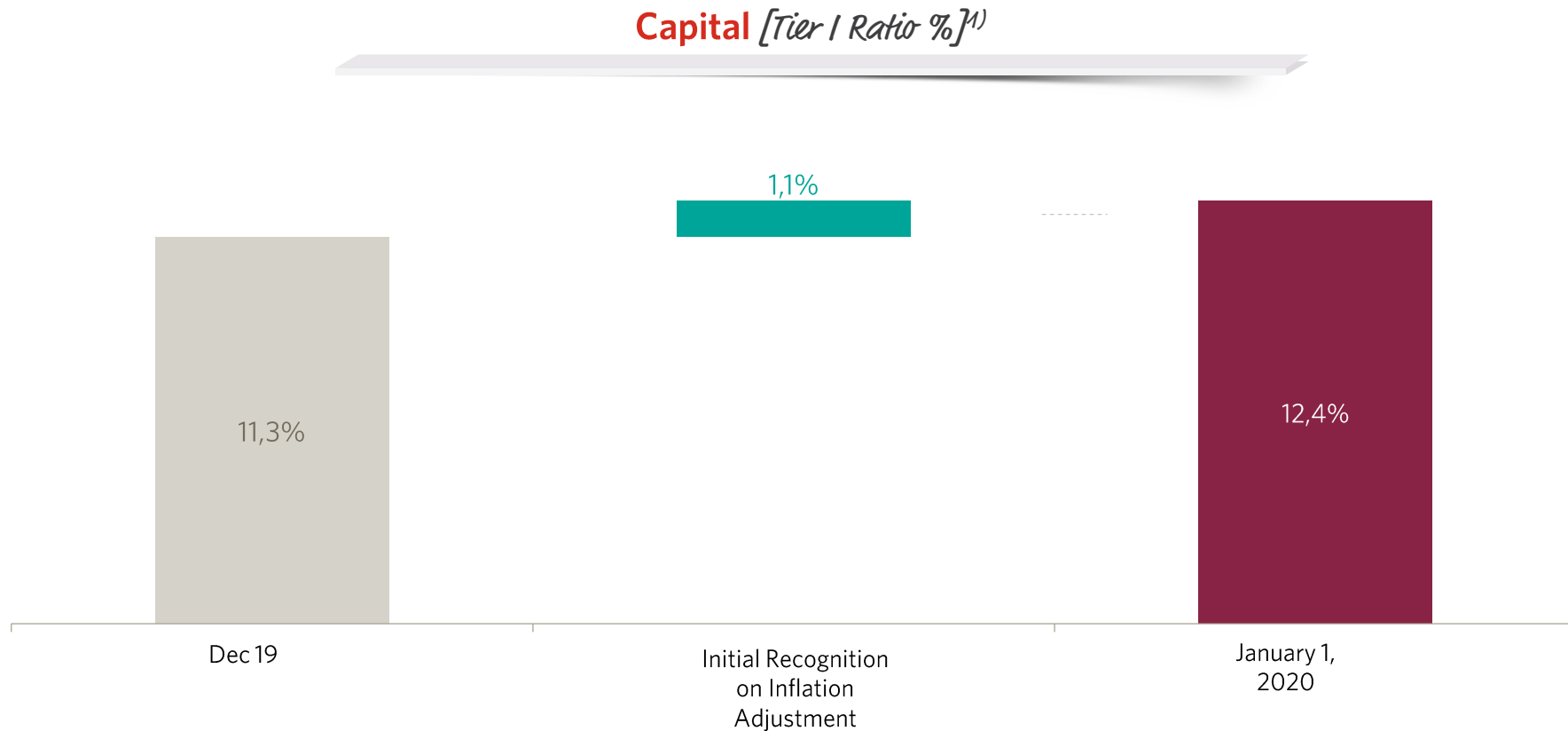
- Change in the CPI-based index between December 2019 and March 2020: 7.8%

- Estimated net loss of \$890.5 million (Vs. actual net loss of \$869.3 million)

As monetary assets exceed monetary liabilities, the estimated inflation adjustment produces a net loss.

Example: "Impact on Capital"

Capital increased 1.1% from the Initial recognition on inflation adjustment





Thank You!

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