ANNEXURE
ANNEXURE 1
QUESTIONNAIRE
FOR MANAGER DIRECTORS

Identification :
Name :
Sex :
Education :
Experiences :
Company :
Year of Establishment :
Address & Telephone No. :

A number of questions are given below describing the role of the Accounting System in your company.

Please give your answers about your company on each question by using the information given below:

1. In general, how do you feel about the current Accounting System (Historical Accounting) in the company?

   Very effective    Effective    Satisfactory    Less effective    Not effective

2. Which of the following system actually shows results?

   I. Historical Accounting System
      Very good    Good    Average    Less    Very less
   II. Inflationary Accounting System
      Very good    Good    Average    Less    Very less
3. Do you feel it is necessary to have an inflationary Accounting System?
   Yes  No

4. What are your perceptions on the effective use of the following subjects?
   1. Re-consideration to the accepted principles of universal Accounting
      Yes  No
   2. Whether it is practicable to incorporate this concept in Accounting?
      Yes  No
   3. To create a new balance sheet considering the impact of the inflation.
      Yes  No
   4. Inflation Accounting would enhance the confidence of the investors.
      Yes  No
   5. Whether it would show real result to the company?
      Yes  No
   6. Whether creditors and financial Institutions would accept this?
      Yes  No
   7. Whether Govt. of Iran will accept this?
      Yes  No

5. What are your views about the use of inflationary Accounting in your company. Is it affecting on the following subjects?
   1. Net income Yes  No
6. Do you strongly feel that the staff of the company will change in the future by using the new system? (Inflationary Accounting)
   
   Yes  No

7. What are your ideas about the impact of the inflationary Accounting in the subject below?

   1. The sale  
      Increased  Decreased

   2. Does tax liability  
      Increased  Decreased

   3. The value of assets  
      Increased  Decreased

8. What are your views regarding the effects of inflationary Accounting on the following subjects?

   1. Decision-making process
      
      Very effective  Effective  Satisfactory  Less effective  Not effective

   2. Control system
      
      Very effective  Effective  Satisfactory  Less effective  Not effective
ANNEXURE 2

QUESTIONNAIRE
FOR CHIEF ACCOUNTANT OR FINANCE DIRECTOR

Identification:

Name: Sex:
Education: Experiences:
Company: Year of Establishment:
Address & Telephone No.:

A number of questions are given below describing the role of the Accounting System in your company.

Please give your answers about your company on each question by using the information given below:

1. In general, how do you feel about the current Accounting System (Historical Accounting) in the company?
   Very effective    Effective    Satisfactory    Less effective    Not effective

2. Which of the following system actually shows results?
   I. Historical Accounting System
      Very good    Good    Average    Less    Very less
   II. Inflationary Accounting System
      Very good    Good    Average    Less    Very less
3. Do you feel it is necessary to have an inflationary Accounting System?
   Yes    No

4. What are your perceptions on the effective use of the following subjects?
   1. Re-consideration to the accepted principles of universal Accounting
      Yes    No
   2. Whether it is practicable to incorporate this concept in Accounting?
      Yes    No
   3. To create a new balance sheet considering the impact of the inflation.
      Yes    No
   4. Inflation Accounting would enhance the confidence of the investors.
      Yes    No
   5. Whether it would show real result to the company?
      Yes    No
   6. Whether creditors and financial Institutions would accept this?
      Yes    No
   7. Whether Govt. of Iran will accept this?
      Yes    No

5. What are your views about the use of inflationary Accounting in your company, is it affecting on the following subjects?
   1. Net income    Yes    No
6. Do you strongly feel that the staff of the company will change in the future by using the new system? (Inflationary Accounting)
   Yes      No

7. What are your ideas about the impact of the inflationary Accounting in the subject below?
   1. The sale       Increased       Decreased
   2. Does tax liability       Increased       Decreased
   3. The value of assets       Increased       Decreased

8. What are your views regarding the effects of inflationary Accounting on the following subjects?
   1. Decision-making process
      Very effective   Effective   Satisfactory   Less effective   Not effective
   2. Control system
      Very effective   Effective   Satisfactory   Less effective   Not effective

9. Will the staff of the company need training programmes to work in the new system, situation? (with inflationary Accounting System)
   Yes      No
ANNEXURE 3
INTERVIEW SCHEDULE

1. Total number of managers, directors. 19
2. Total number of chief accountants or finance directors. 23
3. Total number of auditors. 12
4. Total number of chartered accountants. 12
5. Views about the historical accounting. Does it require any change?
6. Views about the current accounting system.
7. Views about inflationary accounting system.
8. Views about need for inflationary accounting.
9. Views about five ways inflationary accounting, and which way is practicable?
10. Do you feel about the advantages of collective financial statement?
11. Views about creditors and financial institutions.
13. Views about the IAS.N.15 and IAS.N.29 statements.
14. Views about the yield, net income, taxes, assets etc.
15. Views about your company.
Information reflecting the Effects of Changing Prices:

This reformatted International Accounting Standard supersedes the Standard originally approved by the Board in June 1981. It is presented in the revised format adopted for International Accounting Standards 1994 onwards. No substantive changes have been made to the original approved text. Certain terminology has been changed to bring it into line with current IASC practice.

Contents:

- International Accounting Standard IAS 15
- Information reflecting the effects of changing prices
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- Explanation
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- Current status
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International Accounting Standard IAS 15:

Information reflecting the Effects of Changing Prices:

Board Statement October 1989:

At its meeting in October 1989, the Board of IASC approved the following statement to be added to International Accounting Standard IAS 15, Information Reflecting the Effects Changing Prices:

"The international consensus on the disclosure of information reflecting the effects of changing prices that were anticipated when IAS 15 was issued, has not been reached. As a result, the Board of IASC has decided that enterprises need not disclose the information required by IAS 15 in order that their financial statements conform with International Accounting Standards. However, the Board encourages enterprises to present such information and urges those that do to disclose the items required by IAS 15."

The standards, which have been set in bold italic type, should be read in the context of the background material and implementation guidance in this Standard, and in the context of the Preface to International Accounting Standards. International Accounting Standards are not intended to apply to immaterial items.

Scope:

1. This Standard should be applied in reflecting the effects of changing prices on the measurement used in the determination of an enterprise’s results of operation and financial position.
2. This International Accounting Standard supersedes International Accounting Standard IAS 6, Accounting Responses to Changing Prices.

3. This Standard applies to enterprises whose levels of revenues, profit, assets or employment are significant in the economic environment in which they operate. When both parent company and consolidated financial statements are presented, the information called for by this Standard need only be presented on the basis of consolidated information.

4. The information called for by this Standard is not required for a subsidiary operating in the country of domicile of its parent if consolidated information on this basis is presented by the parent. For subsidiaries operating in a country other than the country of domicile of the parent, the information called for by this Standard is only required when it is accepted practice for similar information to be presented by enterprises of economic significance in that country.

5. Presentation of information reflecting the effects of changing prices is encouraged for other entities in the interest of promoting more informative financial reporting.

Explanation:

6. Prices change over time as the result of various specific or general economic and social forces. Specific forces such as changes in supply and demand and technological changes may cause individual prices to increase or decrease
significantly and independently of each other. In addition, general forces may result in a change in the general level of prices and therefore in the general purchasing power of money.

7. In most countries financial statements are prepared on the historical cost basis of accounting without regard either to changes in the general level of prices or to changes in specific prices of assets held, except to the extent that property, plant and equipment may have been revalued or inventories or other current assets reduced to net realisable value. The information required by this Standard is designed to make users of an enterprise’s financial statements aware of the effects of changing prices on the results of its operations. Financial statements, however, whether prepared under the historical cost method or under a method that reflects the effects of changing prices, are not intended to indicate directly the value of the enterprise as a whole.

Responding to Changing Prices:

8. Enterprises to which this Standard applies should present information disclosing the items set out in paragraphs 21 to 23 using an accounting method reflecting the effects of changing prices.

9. Financial information intended as a response to the effects of changing prices is prepared in a number of ways. One way shows financial information in terms of general purchasing power. Another way shows current cost in place of historical cost, recognising changes in specific prices of assets. A third way combines features of both these methods.
10. Underlying these responses are two basic approaches to the determination of income. One recognises income after the general purchasing power of the shareholder’s equity in the enterprises has been maintained. The other recognizes income after the operating capacity of the enterprise has been maintained, and may or may not include a general price level adjustment.

**General Purchasing Power Approach:**

11. The general purchasing power approach involves the restatement of some or all of the items in the financial statements for changes in the general price level. Proposals on this subject emphasise that general purchasing power restatements change the unit of account but do not change the underlying measurement bases. Under this approach, income normally reflects the effects, using an appropriate index, of general price level changes on depreciation, cost of sales and net monetary items and is reported after the general purchasing power of the shareholders’ equity in the enterprise has been maintained.

**Current Cost Approach:**

12. The current cost approach is found in a number of different methods. In general, these use replacement cost as the primary measurement basis. If, however, replacement cost is higher than both net realisable value and present value, the higher of net realisable value and present value is usually used as the measurement basis.
13. The replacement cost of a specific asset is normally derived from the current acquisition cost of a similar asset, new or used, or of an equivalent productive capacity or service potential. Net realisable value usually represents the net current selling price of the asset. Present value represents a current estimate of future net receipts attributable to the asset, appropriately discounted.

14. Specific price indices are often used as a means to determine current costs for items, particularly if no recent transaction involving those items has occurred, no price lists are available or the use of price lists is not practical.

15. Current cost methods generally require recognition of the effects on depreciation and cost of sales changes in prices specific to the enterprise. Most such methods also require the application of some form of adjustments which have in common a general recognition of the interaction between changing prices and the financing of an enterprise. As discussed in paragraphs 16-18, opinions differ on the form these adjustments should take.

16. Some current cost methods require an adjustment reflecting the effects of changing prices on all net monetary items, including long term liabilities, leading to a loss from holding net monetary assets or to a gain from having net monetary liabilities when prices are rising, and vice versa. Other methods limit this adjustment to the monetary assets and liabilities included in the working capital of the enterprise. Both types of adjustment recognise that not only non-monetary assets but also monetary items are important elements of the operating capacity of the enterprise. A normal feature of the current cost
methods described above is that they recognise income after the operating capacity of the enterprise has been maintained.

17. Another view is that it is unnecessary to recognise in the income statement the additional replacement cost of assets to the extent that they are financed by borrowing. Methods based on this view report income after the portion of the enterprise’s operating capacity that is financed by its shareholders has been maintained. This may be achieved, for example, by reducing the total of the adjustment for depreciation, cost of sales, and where the method requires it, monetary working capital, in the proportion that finance by borrowing bears to finance by the total of borrowing and equity capital.

18. Some current cost methods apply a general price level index to the amount of shareholders’ interests. This indicates the extent to which shareholders’ equity in the enterprise has been maintained in terms of the general purchasing power when the increase in the replacement cost of the assets arising during the period is less than the decrease in the purchasing power of shareholders’ interests during the same period. Sometimes this calculation is merely noted to enable a comparison to be made between net assets in terms of general purchasing power and net assets in terms of current costs. Under other methods, which recognise income after the general purchasing power of shareholders’ equity in the enterprise has been maintained, the difference between the two net assets figures is treated as a gain or loss accruing to the shareholders.
Current Status:

19. While financial information is sometimes provided using the various methods for reflecting the changing prices described above, either in primary or supplementary financial statements, there is not yet an international consensus on the subject. Consequently, the International Accounting Standards Committee believes that further experimentation is necessary before consideration can be given to requiring enterprises to prepare primary financial statements using a comprehensive and uniform system for reflecting changing prices. Meanwhile, evolution of the subject would be assisted if enterprises that present primary financial statements on the historical cost basis also provide supplementary information reflecting the effects of price changes.

20. There is a variety of proposals as to the items to be included in such information, ranging from a few income statement items to extensive income statement and balance sheet disclosures. It is desirable that there be an internationally established minimum of items to be included in the information.

Minimum Disclosures:

21. The items to be presented are:

(a) the amount of the adjustment to or the adjusted amount of depreciation of property, plant and equipment:
(b) The amount of the adjustment to or the adjusted amount of cost of sales;

c) The adjustments relating to monetary items, the effect of borrowing, or equity interests when such adjustments have been taken into account in determining income under the accounting method adopted; and

d) The overall effect on results of the adjustments described in (a) and (b) and, where appropriate, (c), as well as any other items reflecting the effects of changing prices that are reported under the accounting method adopted.

22. When a current cost method is adopted the current cost of property, plant and equipment, and of inventories, should be disclosed.

23. Enterprises should describe the methods adopted to compute the information called in paragraphs 21 and 22, including the nature of any indices used.

24. The information required by paragraphs 21 to 23 should be provided on a supplementary basis unless such information is presented in the primary financial statements.

25. In most countries, such information is supplementary to, but not a part of, the primary financial statements. This Standard does not apply to the accounting and reporting policies required to be used by an enterprise in the preparation of its primary financial statements, unless those financial statements are presented on a basis that reflects the effects of changing prices.
Other Disclosures:

26. Enterprises are encouraged to provide additional disclosures, and in particular a discussion of the significance of the information in the circumstances of the enterprises. Disclosure of any adjustments to tax provisions or tax balances is usually helpful.

Effective Date:

27. This International Accounting Standard supersedes International Accounting Standard IAS 6, Accounting Responses to Changing Prices, and becomes operative for financial statements covering periods beginning on or after 1 January 1983.
INTERNATIONAL ACCOUNTING STANDARD IAS 29

Financial Reporting in Hyperinflationary Economies:

This reformatted International Accounting Standard supersedes the Standard originally approved by the Board in April 1989. It is presented in the revised format adopted for International Accounting Standards in 1991 onwards. No substantive changes have been made to the original approved text. Certain terminology has been changed to bring it into line with current IASC practice.

Contents:

- International Accounting Standard IAS 29
- Financial Reporting in Hyperinflationary Economies
- Scope
- The Restatement of Financial Statements
- Historical Cost Financial Statements
  - Balance Sheet
  - Income Statement
  - Gain or Loss on Net Monetary Position
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International Accounting Standard IAS 29

Financial Reporting in Hyperinflationary Economies

The standards, which have been set in bold italic type, should be read in the context of the background material and implementation guidance in this standard, and in the context of the Preface to International Accounting Standards. International Accounting standards are not intended to apply to immaterial items.

Scope:

1. This Standard should be applied to the primary financial statements, including the consolidated financial statements, of any enterprise that reports in the currency of a hyperinflationary economy.
2. In a hyperinflationary economy, reporting of operating results and financial position in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

3. This Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

(a) the general population prefers to keep its wealth in nonmonetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) sales and purchases on credit take place at a price that compensates for the expected loss of purchasing power during the credit period, even if the period is short;

(d) interest rates, wages and prices are linked to a price index; and

(e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.
4. It is preferable that all enterprises that report in the currency of same hyperinflationary economy apply this Standard from the same date. Nevertheless, this Standard applies to the financial statements of any enterprise from the beginning of the reporting period in which it identifies, the existence of hyperinflation in the country in whose currency it reports.

The Restatement of Financial Statements:

5. Prices change over time as the result of various specific or general political, economic and social forces. Specific forces such as changes in supply and demand and technological changes may cause individual prices to increase or decrease significantly and independently of each other. In addition, general forces may result in changes in the general level of prices and therefore in the general purchasing power of money.

6. In most countries, primary financial statements are prepared on the historical cost basis of accounting without regard either to changes in the general level of prices or to increases in specific prices of assets held, except to the extent that property, plant and equipment and investment may be revalued. Some enterprises, however, present primary financial statements that are based on a current cost approach that reflects the effects of changes in the specific prices of assets held.

7. In a hyperinflationary economy, financial statements, whether they are based on a historical cost approach or a current cost approach, are useful only if they are
expressed in terms of the measuring unit current at the balance sheet date. As a result, this Standard applies to the primary financial statements of enterprises reporting in the currency of a hyperinflationary economy. Presentation of the information required by this standard as a supplement to unrestated financial statements before restatement is discouraged.

8. The financial statements of an enterprise that reports in the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, should be stated in terms of the measuring unit current at the balance sheet date. The corresponding figures for the previous period required by international Accounting standard IAS 5, Information to be Disclosed in financial statements, and any information in respect of earlier periods should also be stated in terms of measuring unit current at balance sheet date.

9. The gain or loss on the net monetary position should be included in net income and separately disclosed.

10. The restatement of financial statements in accordance with this standard requires the application of certain procedure and judgement from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.
Historical Cost Financial Statements:

Balance sheet

11. Balance sheet amounts not already expressed in terms of measuring unit current at the balance sheet date are restated by applying a general price index.

12. Monetary items are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.

13. Assets and liabilities linked by agreement to changes in prices, such as index lined bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the balance sheet date. These items are carried at this adjusted amount in the restated balance sheet.

14. All other assets and liabilities are non-monetary. Some non-monetary items are carried at amount current at the balance sheet date, such as net realisable value and market value, so they are not restated. All other non-monetary assets and liabilities are restated.

15. Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index form the date of acquisition to the balance sheet date. Hence, property plant and equipment, investments, inventories of raw materials, and merchandise, goodwill, patents, trademarks and similar assets are restated from
the dates of their purchases. Inventories of partly-finished and finished goods are restated from the dates on which the cost of purchase and of conversion were incurred.

16. Detailed records of the acquisition dates of items of property, plant and equipment may not be available or capable of estimation. In these rare circumstances, it may be necessary, in the first period of application of this Standard, to use an independent professional assessment of the value of the items as the basis for their restatement.

17. A general price index may not be available for the periods for which the restatement of property, plant and equipment is required by this standard. In these rare circumstances, it may be necessary to use an estimate based, for example, on the movement in the exchange rate between the reporting currency and a relatively stable foreign currency.

18. Some non-monetary items are carried at amounts current at dates other than that of acquisition or that of the balance sheet, for example property, plant and equipment that has been revalued at some earlier date. In these cases, the carrying amounts are restated from the date of the revaluation.

19. The restated amount of a non-monetary item is reduced, in accordance with appropriate international Accounting Standards, when it exceeds the amount recoverable from the item’s future use (including sale or other disposal). Hence, in such cases, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount, restated
amounts of inventories are reduced to net realisable value and restated amounts of current investments are reduced to market value.

20. An investee that is accounted for under the equity method may report in the currency of a hyperinflationary economy. The balance sheet and income statement of such an investee are restated in accordance with this standard in order to calculate the investor’s share of its net assets and results of operations. Where the restated financial statements of the investee are expressed in a foreign currency they are translated at closing rates.

21. The impact of inflation is usually recognised in borrowing costs. It is not appropriate both to restate the capital expenditure financed by borrowing and to capitalise that part of the borrowing costs that compensates for the inflation during the same period. This part of the borrowing costs is recognised as an expense in the period in which the costs are incurred.

22. An enterprise may acquire assets under an arrangement that permits it to defer payment without incurring an explicit interest charge. Where it is impracticable to impute the amount of interest, such assets are restated from the payment date and not the date of purchase.

23. International Accounting Standard IAS 21, The Effects of Changes in Foreign Exchange differences on borrowings in the carrying amount of assets following a severe and recent devaluation. Such a practice is not appropriate for an enterprise reporting in the currency of a hyperinflationary economy when the carrying amount of the asset is restated from the date of its acquisition.
24. At the beginning of the first period of application of this Standard, the components of owner’ equity, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated balance sheet.

25. At the end of the first period and in subsequent periods, all components of owners’ equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners’ equity are disclosed in accordance with International Accounting Standard IAS 5, Information to be Disclosed in Financial Statements.

**Income Statement :**

26. This Standard requires that all items in the income statement are expressed in terms of the measuring unit current at the balance sheet date. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.
Gain or Loss on Net Monetary Position:

27. In a period of inflation, an enterprise holding an excess of monetary assets over monetary liabilities loses purchasing power and an enterprise with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position may be derived as the difference resulting from the restatement of non-monetary assets, owners’ equity and income statement items and the adjustment of index-linked assets and liabilities. The gain or loss may be estimated by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities.

28. The gain or loss on the net monetary position is included in net income. The adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 13 is offset against the gain or loss on net monetary position. Other income statement items, such as interest income and expense, and foreign exchange differences related to invested or borrowed funds, are also associated with the net monetary position. Although such items are separately disclosed, it may be helpful if they are presented together with the gain or loss on net monetary position in the income statement.
Current Cost Financial Statements:

Balance sheet:
29. Items stated at current cost are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Other items in the balance sheet are restated in accordance with paragraphs 11 to 25.

Income Statement:
30. The current cost income statement, before restatement, generally reports costs currents at the time at which the underlying transactions or events occurred. Costs of sales and depreciation are recorded at current costs at the time of consumption; sales and other expenses are recorded at their money amounts when they occurred. Therefore all amounts need to be restated into the measuring unit current at the balance sheet date by applying a general price index.

Gain or Loss on Net Monetary Position:
31. The gain or loss on the net monetary position is accounted for in accordance with paragraphs 27 and 28. The current cost income statement may, however, already include an adjustment reflecting the effects of changing prices on monetary items in accordance with paragraph 16 of International Accounting
Standard IAS 15. Information Reflecting the Effects of Changing Prices. Such an adjustment is part of the gain or loss on net monetary position.

Taxes:
32. The restatement of financial statements in accordance with this Standard may give rise to differences between taxable income and accounting income. These differences are accounted for in accordance with International Accounting IAS 12, Accounting for Taxes on Income.

Cash Flow Statement:
33. This Standard requires that all items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

Corresponding Figures:
34. Corresponding figures for the previous reporting period, whether they were based on a historical cost approach or a current cost approach, are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period.
Consolidated Financial Statements:

35. A parent company that reports in the currency of a hyperinflationary economy may have subsidiaries that also report in the currencies of hyperinflationary economies. The financial statements of any such subsidiary need to be restated by applying a general price index of the country in whose currency it reports before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. The financial statements of subsidiaries are dealt with in accordance with International Accounting Standard IAS 21, Accounting for the Effects of Changes in Foreign Exchange Rates.

36. If financial statements with different reporting dates are consolidated, all items, whether non-monetary or monetary, need to be restated into the measuring unit current at the date of the consolidated financial statements.

Selection and Use of General Price Index:

37. The restatement of financial statements in accordance with this Standard requires the use a general price index that reflects changes in general purchasing power. It is preferable that all enterprises that report in the currency of the same economy use the same index.


**Economies Ceasing to be Hyperinflationary:**

38. When an economy ceases to be hyperinflationary and an enterprise discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it should treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

**Disclosures:**

39. The following disclosures should be made:

(a) the fact that financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the reporting currency and, as a result, are stated in terms of the measuring unit current at the balance sheet date;

(b) whether the financial statements are based on a historical cost approach or a current cost approach; and

(c) the identity and level of this price index at the balance sheet date and the movement in the index during the current and the previous reporting period.

40. The disclosures required by this Standard are needed to make clear the basis of dealing with the effects of inflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts.
Effective Date:

41. This International Accounting Standard becomes operative for financial statement covering periods beginning on or after 1 January 1990.