Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

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Berlin, 31 July 2018

Dear Sue,

**IFRS IC's decisions in its June 2018 meeting**

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the June 2018 IFRIC Update.

We agree with the final agenda decision as regards IAS 7 and the two tentative agenda decisions in respect of IAS 23.

However, we do not fully concur with the tentative agenda decision on the IAS 21 issue, for the following reasons:

- Whilst agreeing with the IFRS IC's observations as regards the current requirements on how to assess the exchange rate to be used, we note that the IFRS IC did not answer the main question, being "*whether, in those circumstances, an entity is required to use an official exchange rate in applying IAS 21*". Hence, the IFRS IC's conclusion does not add clarity as to whether official rates should be used if restrictions apply.
- Further, the IFRS IC notes that IAS 21 does "*not … include explicit requirements on the exchange rate [to be used] when the (official) spot exchange rate is not observable*", which in Venezuela's case seems a misplaced statement given that these rates are clearly *observable*. The "real issue" as we understand it is whether or not these rates are also

*applicable* in situations where either official rates are limited to transactions that meet certain criteria that are not met for the specific transaction under consideration or other restrictions apply (e.g. limited liquidity). We also note that the issue is deeply intertwined with hyperinflation, at least in Venezuela's case.

- This said, we are unclear what the research suggested in the IFRIC Update would focus on. We have doubts that this issue could be resolved through narrow-scope standard-setting – as it evidences a more general lack of appropriate requirements on currency translation in situations where there is hyperinflation.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

*Andreas Barckow*
President