Key Takeaways
TGS APAC: Accounting Discussion Forum
2024, November 1st

KEY TAKEAWAYS

1. OVERVIEW: Update and Overview of Amendments to IAS 21
2. DISCUSSION: How Amendments to IAS 21 Would Likely Impacted the Usage of Accounting Standards in Asia Pacific Countries
3. DISCUSSION OUTPUT: IAS 21's Impact to APAC in General

OVERVIEW: Amendments to IAS 21 - The Effects of Change in Foreign Exchange Rates

The International Accounting Standards Board (IASB) issued amendments regarding Lack of Exchangeability for IAS 21, focusing on determining the exchange rate to be used for foreign currency transactions and translating foreign operations into a different currency.

When a currency is not exchangeable, it becomes challenging to establish an appropriate exchange rate, especially if government controls limit currency exchange or the volume of foreign currency transactions.

The amendments apply to annual reporting periods beginning on or after first week in January 2025 or perhaps applied earlier. However, an entity cannot restate comparative information.

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

When a currency is not exchangeable into another currency at a measurement date for a specified purpose, the Amendments require the entity to estimate the spot exchange rate at the measurement date.

DISCUSSION: How Amendments to IAS 21 Would Likely Impacted the Usage of Accounting Standards in Asia Pacific Countries (Indonesia, China, and Singapore)

IAS 21's Impact in Indonesia

Based on TGS Indonesia's experiences in handling foreign clients, there is no impact caused by the issuance of IAS 21 yet. TGS Indonesia has only handled a few clients who use foreign currency (such as USD, Hong Kong Dollars, amg Singaporean Dollars). Among these clients, there are no problems regarding unexchangeable foreign currency yet.

(Ms. Yuli Aldyanti - TGS Indonesia)

IAS 21's Impact in China

In China, IAS 21 most likely hasn't reached the issuance date yet. However, some foreign companies may use it if they operate internationally or belong to groups located in IAS-compliant countries. Most of TGS HX clients do not use IAS yet. Many of their clients do business in the USA and follow US GAAP and FISP. With that being said, TGX HX China believes there is a convergence among global accounting standards, so the differences may not be too significant.

(Ms. Maggie Ma - TGS HX China)

IAS 21's Impact in Singapore

Vallaris— in general— most likely deal with advisory matters, so there is generally limited involvement with IAS21 implementation. However, Singapore in general typically adopts IAS 21, but there are still several questions regarding this amendment, and the nature of the changes isn't entirely clear. When it was mentioned that an exchange rate is 'not exchangeable,' the meaning from a deal

advisory perspective is also uncertain, along with the impact of the amendment starting from January 1st, 2025. Usually, for stable currencies, using a spot rate is not problematic. However, there is uncertainty regarding situations where an exchangeable rate might be unavailable and would require an estimated spot rate. Some of these questions still need clarification, particularly regarding IAS21 implementation.
(Mr. Ronald Mack - Vallaris Singapore)

DISCUSSION OUTPUT: IAS 21's Impact to APAC in General

According to several testimonies from each delegation of Indonesia, China, and Singapore, IAS 21 in general hasn't reached that big level of impact yet, not to mention that these amendments will be officially regulated starting from January 1st, 2025. Asia Pacific— in general— doesn't consist of any country whose currency is not exchangeable. If any, they most likely came from foreign clients outside of APAC.

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