



PUBLIC ACCOUNTANTS AND AUDITORS BOARD

PRONOUNCEMENT 01/2019

ON THE APPLICATION OF

IAS 29: *FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES*, IN ZIMBABWE

11 OCTOBER 2019

About the PAAB

The PAAB's mission is to promote transparency and integrity in business through effective regulation of the accountancy profession in accordance with internationally recognised standards and processes. The PAAB adopts and prescribes accounting and auditing standards for use in Zimbabwe, including the application of internationally recognised accounting and reporting standards.



Public Accountants and Auditors Board

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1. Introduction

The Public Accountants and Auditors Board issues this pronouncement in pursuance of its mandate under the Public Accountants and Auditors Act (Chapter 27:12) (the PAA Act). This Pronouncement has been issued after consultative work undertaken by the Zimbabwe Accounting Practices Board through its sub-committees, the Accounting Standards Committee and the Committee for Auditing Standards, which comprise representatives from preparers, auditors and users of financial statements, as well as representations from Professional Accountancy Organisations.

2. The PAAB's Mandate

2.1 Functions of the Board

The functions of the Public Accountants and Auditors Board (the Board) are set out in Section 5 of the PAA Act and includes, among other things;

(f) "to take such steps as appear to the Board to be necessary or desirable to advance the standing and effectiveness of the accountancy profession in Zimbabwe; and

(g) "to represent the views of the accountancy profession on national, regional and international issues;"

2.2 Regulation of professional standards

Section 44(2)(a) of the PAA Act states that the Board may make regulations prescribing: *"auditing standards, accounting standards and accountancy reporting standards for use in Zimbabwe, including the application of internationally recognized auditing, accounting and reporting standards"*.

Pursuant to the provisions of section 44(2), on 1 March 2019, the Public Accountants and Auditors Board made the Public Accountants and Auditors (Prescription of International Standards) Regulations 2019, Statutory Instrument 41 of 2019. In terms of section 4(1) as read with Schedule 1 of these regulations, the Board prescribed that the



International Financial Reporting Standards (IFRS), which includes the standard to which this pronouncement relates shall be applicable in Zimbabwe.

3. Scope

This Pronouncement shall apply to all entities that report based on the International Financial Reporting Standards (IFRSs). Entities that report based on the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) and International Public Sector Accounting Standards (IPSASs) financial reporting frameworks are expected to apply the equivalent standards in those frameworks.

4. Application of Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe

According to IAS 29: *Financial Reporting in Hyperinflationary Economies*, it is preferable that all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date.

Following the processes indicated above, the PAAB can advise that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the *Financial Reporting in Hyperinflationary Economies Standard (IAS 29)*, in Zimbabwe have been met.

5. Historical Financial Information

While cognisant of Para. 7 of IAS 29; in light of multiple stakeholders (e.g. tax authorities, sector regulators etc.) who are amongst the users of financial statements, it is recommended that preparers exercise professional judgement in considering the presentation of historical financial information as supplementary information alongside the primary IFRS financial statements which would be inflation-adjusted in terms of the requirements of IAS 29. Where historical financial information is presented alongside IFRS financial statements adjusted for IAS 29, it must be made quite clear which represents the primary financial statements.

6. Effective date

This Public Pronouncement covers the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after **1 July 2019**.

THE END