

ONCE

UPON A TIME



Economy still in deflation: Zimstat

By **Newsday** - May 18, 2016

The year-on-year inflation rate for the month of April stood at -1,64% gaining 0,66 percentage points on the March rate of -2,31%, raising hopes the economy would move out of deflation, statistical agency, Zimstat has said.

Zim inflation shoots to 42,09%

By **Newsday** - January 18, 2019

ZIMBABWE'S inflation rose to 42,09% year-on-year in December, its highest for a decade, from 31,01% in November driven by increases in the price of basic goods, the Zimbabwe National Statistics Agency (Zimstat) said on Thursday, underlining the challenge faced by President Emmerson Mnangagwa's administration to revive the economy.



Practical Guidelines for Financial
Reporting Post Currency
Reforms

Presented by Macdonald Chitauro

PRACTICAL GUIDELINES FOR FINANCIAL REPORTING

KEY ISSUES PREPARERS

1. AIMS OF THE GUIDANCE
2. EFFECTIVE DATE FOR THE GUIDANCE
3. IFRS REPORTING REQUIREMENTS
4. LEGAL REQUIREMENTS
5. EVENTS AFTER REPORTING DATE
6. APPLICABILITY FOR DEC 2018 & MARCH 2019
7. TRANSLATION GAINS AND LOSSES

AUDITORS

1. ALL OF THE ABOVE PLUS ISA 705
2. NOCLAR REPORTING OBLIGATIONS



AIMS OF THE GUIDANCE

- No new requirements or Exceptions to IFRS and ISAs
- Complex Environment, preparers and Auditors to Apply Professional Judgement.
- No one size fits all approach

EFFECTIVE DATE

- Periods Beginning on or After 1 January 2018

IFRS GUIDANCE FOR REPORTING

IFRS Requirements

- multi-tiered pricing structure during the period under consideration
- Consider IAS 8 & IAS 21
- Par 10: Preparers and Auditors must exercise Professional Judgement in assessment of Impact of IAS 21

Legal Guidance

- **Section 44B(3) of the Reserve Bank of Zimbabwe Act thus,** *the tender of payment of bond notes issued by the Reserve Bank shall be legal tender in all transactions in Zimbabwe as if each unit of a bond note is exchangeable for one United States dollar.*
- **S.I 122A12017 criminalises parallel market dealings. It defines "deal"** as follows;
 - "deal", in relation to dealing in currency-
 - (a) means to do any of the following (whether tangibly or electronically), namely to buy, sell, barter, pledge, exchange, give or receive, or offer or expose for sale, barter, pledge or exchange, or engage in any transaction whatever whose commodity is currency, where the currency is transferred for a premium or at a discount, whether in a single transaction or a series of transactions, or as part of an activity or series of activities whose principal object is the transfer of currency for a premium or at a discount;"
 - 5.4 Section 40(2e) of the Exchange Control Regulations S.I 109/1996 provides that; "For the purpose of enforcing any order-6

Guidance to Preparers

Par 21 of the PAAB guidance

- Preparers of financial statements are expected to comply with the laws and regulations of the country although that decision is of course the sole prerogative of the directors and or those charged with governance of the respective entities.



- **S.I. 33 of 2019** was issued in terms of section 2 of the Presidential Powers Temporary Measures Act [*Chapter 10:20*]. Section 5 of that Act provides that:
” Regulations made in terms of section two shall, to the extent of any inconsistency, prevail over any other law to the contrary, apart from regulations that have been made and are in force in terms of the Emergency Powers Act [Chapter 11:04]”.
- However Preparers are not Precluded From Seeking Legal Opinion

DIRECTORS RESPONSIBILITIES

1.Par 27& 28 of PAAB Guidance

2.Prerogative of Directors



3. However RTGS did not exist by 31 Dec 2018

WHAT IS THE CHANGEOVER DATE?

22 February 2019

Title

1. These regulations may be cited as the Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars)) Regulations, 2019.

Interpretation

2. In these regulations —

“Reserve Bank” means the Reserve Bank of Zimbabwe Act referred to in section 4 of the Reserve Bank of Zimbabwe Act [*Chapter 22:15*] (No. 5 of 1999);

“RTGS dollar” means any funds held as bank deposits under the Real Time Gross Settlement system established in terms of the National Payment Systems Act [*Chapter 24:23*];

“unit of a bond note” means a unit (“one dollar”) or multiple thereof in which a bond note is denominated.



Disclosure requirements of paragraph 21 of IAS 10 Events after the Reporting Period relating to non-adjusting events should be complied with in full

Key Accounting Considerations

- ENHANCING FINANCIAL REPORTING AT 31.12.2018
- CURRENCY GAINS AND LOSSES
- CHANGEOVER AT 22.02.19

How do we enhance Financial Reporting at December 2018?

Illustrative Sensitivity Analysis

ABC Limited

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note(s)	USD
Property, plant Equipment	2,14	50,000
Cash and Cash Equivalents	5,14	10,000
Payables	9,14	5,000

Notes to the Financials

14	Components of Reported Amounts				Sensitivity Analysis		
	Monetary Assets/Liabilities Nostro FCA USD	Monetary Assets/Liabilities RTGS Dollar	Non Monetary Assets/Liabilities USD	Total USD @ 1:1	Total RTGS @ 1:2.5	Total RTGS @ 1:3	Total RTGS @ 1:4
Property, plant Equipment	-	-	50,000	50,000			
Cash and Cash Equivalents	3000	7,000	-	10,000	14,500	16,000	19,000
Payables	- 1,000	- 4,000	-	- 5,000	- 6,500	- 7,000	- 8,000

Par 26. Where it is practicable and the amounts considered reliable, entities are encouraged to present a Statement of Comprehensive Income in a similar manner.

Foreign Currency Gains and Losses

- Accounting for Gains and Losses?



Translation applies to the Sensitivity Analysis in the Notes(Appendix 1 Paab guidance)



- March 2019 Reporting?



Monetary policy

Exchange rate

- Inter bank exchange rate at 2.5
- Sec 33(4) introduced a new currency
- Currency

Exclusions: (2) The issuance of any electronic currency shall not affect or apply in respect of—

- (a) funds held in foreign currency designated accounts, otherwise known as “Nostro FCA accounts”, which shall continue to be designated in such foreign currencies; and
- (b) foreign loans and obligations denominated in any foreign currency, which shall continue to be payable in such foreign currency



Initial and
Subsequent
Measurement

Liabilities foreign and local

Cash and cash equivalents

Debtors

Property, plant and equipment

Other Non Monetary Assets

Share Capital

Example

		US\$	Rate	RTGS Dollars
Property, plant and Equipment		500,000	1	500,000
Receivables		500,000	1	500,000
Cash and cash Equivalents		501,000		1,251,000
Nostro		500,000	2.5	1,250,000
FCA		1,000	1	1,000
Liabilities		(1,500,000)		(3,000,000)
Local		(500,000)	1	(500,000)
Foreign		(1,000,000)	2.5	(2,500,000)
Share Capital		(1,000)	1	(1,000)
FCTR/Retained Earnings				750,000
		-		-

- Thank You

