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IAS 21 - The Effects of Changes in Foreign Exchange Rates: Matters Arising

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Abstract: One of the aims of the International Accounting Standard Board (IASB) is to enhance the quality of financial reporting and ensure universality in comparison of financial statements produced in different entities and countries by users of such financial statements. International Accounting Standard (IAS) 21: Effect of Changes in Foreign Exchange Rates is applicable to Multinational entities and businesses that engage in Foreign Currency denominated transactions. Thus, this study examines IAS 21 and matters arising from its adoption and application. The objective, scope, measurement and presentation are discussed as it affects entities with foreign operations such as subsidiaries, associates, joint venture and branch of an entity operating under a different environment subjected to different laws and currency of exchange. The study employs exploratory method in discussing concepts like Currency Translation, Foreign Currency Transactions, Foreign Currency Translations and Functional Currency Determination with the Stakeholder Salience Theory as the underpinning theory. Closing Rates, Exchange Rates and Fair Value of non-monetary items were examined as they pertain to Reporting of Foreign Currency Transactions. The application of the standard does not cover items covered by other standards such as IAS 39 on Financial Instruments, IAS 7 on Statement of Cashflow. Lack of Exchangeability of Cryptocurrencies have been identified as the main constraint in the application of the standard on virtual currency transactions Thus the study concludes that, although the standard provides the framework for accounting for foreign operations denominated in foreign currencies, management discretion might override the principles as other matters relating to foreign operations are still not addressed. It is therefore recommended that, While the IASB attempt to address currency exchangeability is appropriate, IAS 21 should address the impact of virtual currencies (cryptocurrencies) on overseas transactions and translations.

Keywords: Cryptocurrency, Foreign Exchange Rates, Foreign Exchange Transactions, Foreign Exchange Translations, IAS

1. Introduction

One of the International Accounting Standards Board's (IASB) aims is to produce high-quality and easily understood financial reporting standards based on well-defined principles. Given the nature of principles, one may anticipate a limited number of exceptions [13]. The absence of bright-line thresholds, a reduced amount of instruction, and less clarity [5]. Standards founded on principles should be simpler than standards founded on rules.

More rule-based accounting standards occur as a result of a lack of principles or as a result of the wrong application of a principle that is not present in a conceptual framework [11]. A conceptual framework should be a logical foundation built on a collection of permanent, universal, and consistent concepts and principles that are both stable and externally valid across time. However, the presence of a sound conceptual framework based on rational economic thinking might be thwarted by the economic, social, and political repercussions of accounting laws and practices [7]. As a result, rather than providing a stable logical foundation, the conceptual framework will likely shift between economic, social, and political pillars [7].

Because these standards are based on ideas, they should change less often than standards based on regulations. As demonstrated by Braithwaite, J. [3]. Theory of legal certainty, when more complex acts occur in changing contexts with significant economic interests, principles are more likely to provide legal certainty than rules. In this context, critics of rule-based standards argue that rules might become obsolete and dysfunctional as the economic environment changes or as managers establish novel interactions [18]. Even though the IASB states that the IFRS is founded on principles, the IASB is constantly revising and amending them.

A business entity may engage in international activity in one of two ways. It may conduct business in foreign currencies or conduct foreign activities. Additionally, an entity's financial statements may be presented in a foreign currency. The purpose of this Standard is to define how foreign currency transactions and foreign activities should be included in an entity's financial statements, as well as how financial statements should be translated into a presentation currency. The primary challenges are which exchange rate(s) to employ and how to account for the effect of currency fluctuations in financial statements.

2. Empirical Review

According to Nan, Z., & Kaizoji, T. [15] the bitcoin-based USD/EUR exchange rate and market efficiency in the spot, futures, and forward foreign exchange markets; the structural-change, unit-root, and Johansen test all imply that the bitcoin exchange rate is a random walk that is co-integrated with the foreign exchange series. Inferences about the co-integrating coefficients show that the bitcoin exchange rate is "unbiased" in the long run and "fair game" in the near term. Our findings suggest that market efficiency is either low or moderate.

Bai, V., & Olena, H. [2] evaluate two accounting systems' methods for currency selection: IAS/IFRS and the Czech accounting system. Additionally, the article aims to offer the study findings to quantify the influence of the functional currency (as defined by IAS/IFRS) on exchange rate disparities and the number of gains/losses by utilising a selected sector in the Czech Republic as an example.

2.1. Stakeholder Salience Theory

Mitchell, R., Agle, B. and Wood, D. [12] introduced the hypothesis to study the factors of IFRS harmonisation at the firm’s level. Although the business is ecologically dependent on a variety of organisations and individuals, the idea holds that managers determine the most important stakeholder and the quantity of attention it requires at any given moment. However, managers' judgments on which stakeholders are to prioritise are contingent on the stakeholder's level of authority, legitimacy, and urgency. Managers' behaviours differ according to the stakeholders they are dealing with. Additionally, these variances operate as a moderator of the impacts of managerial traits [7]. Thus, a stakeholder's potential to influence accounting practice is contingent on managers' perceptions of the stakeholder's authority, legitimacy, and urgency about the company's financial reporting difficulties, as well as the stakeholder's urgency [20].

Unlike positive accounting theory [21] which predicts and explains firm behaviour in terms of external factors such as size, financing structure, firm reputation, and capital requirements, stakeholder salience theory focuses exclusively on managers' behaviour toward competing stakeholders. Management is more likely to adhere to IFRS if the stakeholders have significant control over management. [12] claimed that managers' responses to stakeholder requests are contingent on the stakeholder's authority, legitimacy, and urgency.

As a consequence of the combination of these characteristics, stakeholders are classified as inactive, discretionary, demanding, dominating, hazardous, reliant, and definitive. Perhaps not all stakeholders have the same amount of interest in the firm adhering to IFRS. As a result of this study, three categories of stakeholders have been identified that potentially impact managers' compliance with IFRS.

2.2. Currency Translation

A business may choose to display its financial statements in any currency (referred to as the presentation currency). A standalone business, a parent company preparing consolidated financial statements, an investor, or a venturer preparing separate financial statements in line with IAS 27, Consolidated and Separate Financial Statements etc, are all acceptable entities for this purpose. For activities in which the functional currency is not the presentation currency, assets and liabilities are converted to the presentation currency at the reporting date's closing rate, while income and costs are converted at the transaction date's exchange rate [4] and any trade difference whose results is recognised as a distinct component of equity (e.g., debit or credit to equity). Before compiling the consolidated financial report for groups, each entity within the group is translated to the group's presentation currency. A comparable technique is used in an individual entity's financial report when a branch business uses a different functional currency.

2.3. Functional Currency and Determination

Functional Currency is the core currency of an entity used in economic and business transactions. Basically, the currency is used in carrying out regular transactions within an entity. Regular transactions include purchases and sales of the entity’s main business merchandise. Functional Currency provides the basis for executing an economic transaction, events and circumstances.

In view of this, functional currency can only be changed when the conditions surrounding the economic transactions or event has changed [8]. In the event that the currency is changed, its application in translating foreign denominated transactions shall be prospective from the effective date which is the date the new functional currency is adopted. In addition, where a foreign operation makes a major change in its operations that requires the adoption of a new functional currency in reporting its financial dealings, the reason for the change must be stated by such an entity. Thus;

a) When calculating its functional currency, an entity takes the following provisions of IAS 21 into consideration:
   i. the currency that has the greatest influence on the trading activities of the entity (Which is the currency mainly used in denomination the business transactions of the entity) and
   ii. Which country's laws, regulations and competitive forces have the greatest effect on the entity's trading activities.
b) The currency that has the most impact on labour, material, and other expenses associated with delivering products or services (Which is the currency mainly used in denomination the business transactions of the entity).

2.4. Foreign Currency Translations

Currency translation is quickly gaining prominence as an extra layer of complexity and risk that must be included in all aspects of strategic planning, forecasting, budgeting, and financial reporting. As multinational corporations expand their operations outside of their home country, a greater proportion of their operations are originally recorded in foreign currency, making foreign exchange rate risk and accounting record translation a critical variable in reported results [16].

Changing an entity's functional currency to its presentation currency is termed currency translation [4]. In the event that an entity's transactions are not denominated using its functional currency, all foreign transactions must first be translated to its functional currency before translating same to the presentation currency of the entity [1].

Because foreign currency translation gains and losses go straight to equity, businesses can insulate their income statements from dramatic movements in foreign currency values [6].

2.5. Foreign Currency Transactions

Foreign currency transactions occur when a business either (1) makes an import purchase or export sale denominated in a foreign currency, or (2) borrows or loans cash denominated in a foreign currency [19]. Whenever a transaction occurs between entities operating in distinct nations and employing distinct functional currencies, the issue of transaction denomination emerges.

When the transaction and payment dates are different, the transaction may be denominated in the functional currency of one of the parties or in a third currency, which would require at least one of the entities engaged in the transaction to follow the accounting requirements specified in IAS 21. [4] This is due to the requirement to generate and maintain foreign currency-denominated assets or liabilities. Due to the volatility and fluctuation of foreign exchange rates over time, the value of foreign currency denominated assets and liabilities will necessarily fluctuate as well. As a result, it is necessary to record these changes in financial statements, and IAS 21 provides recommendations for doing so.

If a foreign currency transaction consists only of foreign currency cash flows occurring on the date the transaction is recorded, the accounting problem is the transaction's measurement on that date. However, if a foreign currency transaction contains foreign currency cash flows that occur after the transaction is recognised, the transaction will result in the recognition of one or more foreign currency monetary assets or liabilities. Thus, the accounting issue is not just measurement at the time the transaction is recorded, but also periodic remeasurement of monetary assets and liabilities until settlement [10].

3. Reporting Foreign Currency Transactions in the Functional Currency

A foreign currency does not serve as the functional currency of the company. The rate at which currency is exchanged on the spot market is known as the spot exchange rate. The exchange rate differential is the difference in the exchange rates of two currencies when a given number of units of one currency are converted into another currency at a different exchange rate. The amount of the reporting entity's share in the net assets of the foreign operation is referred to as the "net investment in a foreign operation" (NIFO).

Upon initial recognition in the functional currency, a transaction in a foreign currency should be recorded using the current spot exchange rate between that currency and its functional counterpart. At the end of each reporting cycle:

a) Closing exchange rates for foreign currency monetary goods should be used;
b) Exchange rate at the spot should be applied in converting the value of non-monetary items measured based on historical cost in a foreign currency.
c) The fair value of non-monetary assets measured in a foreign currency is converted using the exchange rates in effect at the time of the fair value determination.

Identifying exchange differences arising from converting and settling monetary items is imperative. The conversion of these items should be at a rate other than the one used to first recognise them during the period or in earlier financial statements.

However, translating monetary items such as assets of a reporting entity, the gain or loss arising from the translation should be recognised in the statement of profit or loss of the reporting entity separately from its foreign operations. A consolidated or group financial statements comprising of statement of financial position, income statement and other comprehensive income must reflect the exchange difference between the reporting entity and its foreign operations. This exchange difference is reclassified to profit or loss when the foreign operation is disposed.

Recording non-monetary items in other comprehensive income will require the matching of the exchange gain or loss arising from the translation in the determination of profits or loss. This ensures that financial statements reflect the differences in exchange rate that may arise as a direct consequence of settling monetary items transaction at a rate different from the initial currency of recognition.

On the other hand, exchange rates associated with monetary items are recorded as net investment income from foreign operations by the reporting entity. The entities in reporting its separate or individual financial statements discloses the profit or loss of foreign operations, reflecting exchange difference between the reporting entity and the foreign operations in other comprehensive income before they are reclassified from equity to profit or loss when the net investment is sold (e.g., consolidated financial statements when the foreign operations is a subsidiary).

Translation to the Presentation currency/Translation of a Foreign Operation

Using the Standard, financial statements may be presented in any currency (or currencies). IAS 27 Consolidated and Separate Financial Accounts apply to all of these entities, including a single company, an investor, or a venturer generating separate financial statements by IAS 27.

An organisation must convert its results and financial situation to the presentation currency when the presentation currency is different from the functional currency. To show consolidated financial statements, the results and financial condition of each firm within a group are expressed in a single functional currency.

As with translating a foreign business, a reporting entity should utilise the same method to translate its results and financial position into a presentation currency (or currencies) for inclusion in the financial statements of the reporting firm. It is necessary to perform the following processes to translate a company's performance and financial situation when the functional currency is not the currency of an inflationary economy:

i. Assets and liabilities presented in the financial statement of current and prior year(s) should be translated using the Closing rate.
ii. Income and expenses reported in the financial statements (income statement) should be translated at the Spot Rate i.e., Current rate at the transaction date,
iii. For other comprehensive income, differences arising from translation should be recorded either as gain or loss on transaction.

Business combination of foreign operations requires the determination of goodwill and fair value adjustment of assets and liabilities at consolidation dat. This is to ensure that assets and liabilities recognised in the foreign operation at fair values. However, where a reporting entity has a foreign activity outside its headquarters as a subsidiary, associate, joint venture or branch, foreign currency translation is inevitable.

According to the Standard on presentation of financial statements (IAS 1) as revised in 2007, translation differences related to foreign operations or activities should be recognised on other comprehensive income and accumulated as a separate element of equity in the statement of changes in equity. However, upon the sale or disposal of such foreign operations, it should be reclassified with a view to determining the gain or loss on disposal of foreign operations.

In addition, translation differences in a partially owned foreign operations are re-allocated between the owners of equity and non-controlling interest. Thus, translation differences are only reclassified to profit or loss in a situation of partial disposal of a foreign operation in which the parent company has a stake.

A change in an entity's functional currency requires immediately application. This is to ensure that the translation process is adjusted to reflect the new currency. In line with IAS 29 on Financial Reporting in Hyperinflation Economies, Financial statements of entities should be restated if functional currency is the currency of a hyperinflation economy. Entities is such an economy must adopt the following processes in transferring the results of its operations and position into a different currency: -

i. At the closing date, the closing rate of current statement of financial position should be used in translating all elements of the financial statement including the comparatives.
ii. An entity, whose operations is in a non-hyperinflationary economy should compare its current position with that of the previous years when assets and liabilities are translated. That is, no adjustment is made for subsequent price level changes in exchange rate.

4. IAS-21: The Effects of Changes in Foreign Exchange Rates

IAS 21 is intended to establish a framework for the inclusion of foreign currency transactions and foreign activities in an entity's financial statements, as well as for the translation of financial statements into the presentation currency. A foreign currency transaction, is a transaction denominated in another currency other than the functional currency of an entity (IAS 21). A foreign entity/ operation is an entity considered as a subsidiary, associate, joint venture or branch of a reporting entity whose business operations is in a separate country or jurisdiction different from that of the home country's entity (Head Office) [8].

In line with IAS 21, currency in relation to foreign operations are classified into, functional, presentation and foreign currencies. A functional currency is that which is used in recording and reporting an entity's core economic activities. While presentation currency is the currency used by an entity in the preparation and presentation of its financial statement. Foreign currency is the currency other than the functional currency of the reporting entity [8].

Objective:

Business entities may engage in international or foreign operations in the following ways: Conducting business transactions in foreign denominated currencies or foreign operations. Secondly, the financial statements of the entity may be presented in a currency other than its operational or local currency. The basis for determining an entity's functional currency as well as the measurement, treatment and presentation of foreign currency denominated transactions are set by IAS 21.

Scope and Application:

IAS 21 applies to:

i. Recognition and measurement and accounting for foreign currency denominated transactions excluding financial derivatives. However, IAS 39: Financial Instruments is not affected by this standard.
ii. Preparation of financial and operational performance of foreign operations of entities.
iii. Presentation of the financial performance and position of foreign operations.

IAS 39 on Financial Instrument does not account for hedging and derivatives denominated in foreign currency. Similarly, IFRS 12, does not account for the presentation of foreign currency transactions, specifically in the presentation of cash flows as prescribed by IAS 7: Statement of Cash Flows. Worthy of note is that, these Standards do not account for foreign currency denominated transactions.

Definition of Terms

The following terms in relation to IAS 21 are specifically defined as follows:

a) Closing Rate: This is the rate at the reporting period of an entity which is also referred to as the Spot Rate.
b) Exchange Difference: This is the difference in rates for which a given number or units of one currency is converted or exchanged with another currency.
c) Exchange Rate: This is the rate at which one unit of a currency is exchanged for units of another currency. In simple terms, it is the value of one currency unit against another currency.
d) Fair Value: This is the price at which an asset is expected or an obligation settled between two knowledgeable parties in an orderly transaction (IFRS 13 Fair Value Measurements).
e) Foreign Currency: This is simply defined as the currency other than the functional currency of an entity.
f) Foreign Operation: foreign operation is a subsidiary or associate of an entity that is headquartered in another nation or currency other than the reporting entity's own country or currency of operations.
g) Functional Currency: The fundamental economic environment in which the company works is represented by the functional currency.
h) Monetary Items: Some monetary assets and obligations can only be paid or received in a fixed or predetermined number of currency units.
i) Net investment in a foreign operation: The reporting entity's net investment in a foreign business is the amount of its stake in the operation's net assets.
j) Presentation Currency: The currency in which the financial statements are displayed is known as the presentation currency.
k) Spot Exchange Rate: The exchange rate for immediate delivery is known as the "spot" rate of exchange.

Disclosure Requirements:

There are several disclosure requirements outlined in IAS 21. In general, exchange discrepancies included in profit or loss for the period must be disclosed, but those included in an asset's carrying value or those included in other comprehensive income are exempt from this need for disclosure.

When the presentation currency differs from the functional currency, the disclosing of the functional currency and the reason for the discrepancy must be acknowledged [8]. Changes in the functional currency for either the reporting firm or a significant foreign operation must be reported, along with an explanation for the change [8].

A foreign firm's goodwill and fair value adjustments should also be reported, as should the method used to convert them. A company's foreign currency risk management strategy should be made public [1].

Required disclosures include:

i. Profits and losses due to variations in exchange rates (this does not include financial instruments measured in accordance with IAS 39).
ii. As a distinct component of equity, net exchange disparities reconciled between the beginning and conclusion of a period.
iii. Where the presentation currency is different from the functional currency, the basis for adopting any of the currencies must be disclosed.
iv. If there is a functional currency change, the facts and reasons behind it must be made public.
v. A company's financial statements may only be said to conform with IFRS if they meet all of the standard and interpretation criteria when presented in a currency other than its functional currency.

4.1. Translation of Financial Statements into a Functional Currency

Numerous businesses operate in foreign countries and maintain accounting records and prepare financial statements in the local currency; thus, to prepare consolidated financial statements, parent companies must translate their foreign subsidiaries' foreign currency financial statements into the parent company's presentation currency [19]. The merger of a foreign operation's results and financial position into the reporting entity's results and financial position follows standard consolidation processes, such as the deletion of intragroup balances and transactions of a subsidiary. However, an intragroup liability, whether short-term or long-term, cannot be removed against the corresponding intragroup liability (or asset) without the consolidated financial statements reflecting the effects of currency changes [8].

Robinson, et'al., [19] identify two issues that must be addressed when translating foreign currency financial statements into the parent company's presentation currency: (1) Which exchange rate should be used to translate each financial statement item? (2) How should the inevitable resulting translation adjustment be represented in the consolidated financial statements?

The distinction between monetary and non-monetary goods drives the translation of foreign currency items in the statement of financial position into functional currency. The closing rate is used to translate foreign currency monetary goods, whereas historical exchange rates are used to translate foreign currency non-monetary things. Because the effect of exchange rate changes on the foreign operation's net assets is presumed to have a direct influence on the parent's cash flows, exchange rate adjustments are included in the parent's profit or loss [1].

The term "net investment in a foreign operation" refers to the amount of the reporting entity's stake in the operation's net assets [9]. According to IAS 21, an item for which payment is neither expected nor likely shortly is effectively a component of the entity's net investment in the overseas activity.

According to Alibhai, S. [1] exchange differences resulting from the translation of monetary items included in the net investment in the foreign operation should be reflected in profit or loss in the reporting entity's separate financial statements (investor/parent) and the foreign operation's separate financial statements. Additionally, in the consolidated financial statements, which comprise both the investor/parent and the overseas business, the currency difference should be reported initially in other comprehensive income and reclassified from equity to profit or loss upon the foreign operation's disposition.

As a result, when a monetary item is included in a reporting entity's net investment in a foreign operation and is denominated in the reporting entity's functional currency, an exchange difference develops exclusively in the financial statements of the foreign operation. If the item is denominated in the functional currency of the overseas business, the reporting entity's separate financial statements will reflect the exchange difference. In terms of the consequences of exchange rate variations, if a foreign unit is in a net monetary asset position, an increase in the direct exchange rate results in a gain; if it is in a net monetary liability position, it results in a loss.

4.2. Application of IAS 21 and Other Related Standards

Cash flows derived from foreign currency transactions or the translation of such cash flows are not covered by IAS 21 but are instead covered by IAS 7, Statement of Cash Flows (IAS 21, 7).

Certain foreign currency derivatives (such as those included in other contracts) are not covered by IAS 39 and are instead regulated by IAS 21. Additionally, the norm applies when a business changes derivative amounts from one currency to another [8].

Foreign currency hedge accounting, which involves hedging a net investment in a foreign business, is not covered by IAS 21. IAS 39 governs hedge accounting. (By International Accounting Standard No. 21.

In the event that the carrying amount of an asset is denominated in foreign currency, the standard recommends the translation to functional currency be made using either the historical cost or fair value [8].

Carrying value for certain items is determined by comparing two or more data points. The carrying value of an asset with an indication of impairment is the lesser of it carrying value before factoring in probable impairment losses and its recoverable amount (IAS 2); for inventories, the lesser of cost and net realisable value (IAS 2). The carrying value of a non-monetary asset is determined by comparing the following:

a) The cost or carrying amount, as appropriate, translated at the exchange rate at the date when that amount was determined;
b) Translated at the currency rate in effect at the time the value was calculated, the net realisable value or recoverable amount and impairment loss may be realised in the functional currency but not in the foreign currency based on this comparison, or vice versa [8].

Foreign currency transactions gain and losses as well as discrepancies due to translation of entity's financial statements into another currency may result in tax computations. Income tax is covered by IAS 12. It spells out the accounting treatment require in addressing these tax complications [8].

4.3. IAS 21 and Matters Arising (Lack of Exchangeability and Cryptocurrencies)

The International Accounting Standards Board (IASB) released an exposure draft on "Lack of Exchangeability" in April 2021. The exposure draught proposes to amend IAS 21 to require an entity to assess whether a currency can be exchanged for another and the exchange rate to employ if it cannot.

The Board tentatively decided thus:

i. Prospective application of the amendment by entities beginning from the annual reporting period which is the date of first application. However, such amendment does not affect the comparatives that is prior year financials;
ii. The proposed change to IAS 21 should not include a particular exception for first-time adopters;
iii. Early implementation of the proposed modification is permitted. They all said they were happy with how the Board had followed due procedure and that there had been enough consultation and analysis to begin voting on the exposure draught. There was no indication from the Board that any of the ideas in the exposure draught would be rejected. As soon as possible, the Board aims to release its draught.

Along with the IASB's suggestions, the expansion of global currencies, culminating in cryptocurrencies such as Bitcoin, has revolutionised the way and manner in which businesses hold their capital. Cryptocurrencies, like the dollar in the United States of America (USA) or the real in Brazil, are a medium of trade; nevertheless, they lack intrinsic value, as they are not backed by another item, such as gold.

Unlike the dollar, however, cryptocurrency does not have a physical form and is not backed by any government or legal organisation at the moment [17]. Furthermore, because its supply is not set by a central bank and its network is completely decentralised, with all transactions carried out by system users, it does not conform to the traditional definition of money, as noted.

The professional community, including renowned audit firms, confirms this stance and designates various kinds of cryptographic money as cryptographic assets in their publications, for example, YE (IFRS: accounting for crypto-assets). Simultaneously, for a long period, IFRS did not regulate the issue of reporting and disclosing information about operations involving cryptographic assets, as well as the determination of their cost, classification, revaluation after recognition, and reflection of operations upon their termination of recognition.

Thus, such challenges were resolved in practice through professional judgement, while in the context of scientific study, numerous assumptions were created that may serve as the foundation for their practical implementation [9] Specialists, professional communities, and top audit firms have proposed the following classifications for crypto assets: Money, supplies, financial assets, and intangible assets are all examples of tangible assets. Other categorization groups are deemed difficult to employ due to their total incompatibility with the fundamental conceptual framework of IFRS.

There are, however, cross-references to other standards relating to valuation, impairment assessment, and foreign currency differential recognised [14].

5. Conclusion and Recommendation

Translation of foreign currency denominated transactions invariably affects the reported net income in the statement of other comprehensive income. Although IAS 21 establishes a framework designed to provide the accounting treatment required in accounting for foreign transactions/operations, management may employ other accounting treatment acceptable in practice. It is therefore recommended that, when analysing financial statements of multinationals, users of the financial statements should seek to understand accounting policies and standards applied in translating transactions denominated in foreign currencies. This is because the reliability of such financial statements rests on the standard applied in the translation. While the IASB's attempt to address currency exchangeability is appropriate, IAS 21 should address the impact of virtual currencies (Cryptocurrencies) on overseas transactions and translation.

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