SIC-7

Introduction of the Euro

In April 2001 the International Accounting Standards Board adopted SIC-7 *Introduction of the Euro*, which had originally been issued by the Standing Interpretations Committee of the International Accounting Standards Committee in May 1998.

Other Standards have made minor consequential amendments to SIC-7, including IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (issued November 2013).

SIC Interpretation 7 *Introduction of the Euro* (SIC-7) is set out in paragraphs 3 and 4. SIC-7 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

SIC Interpretation 7
Introduction of the Euro

References

- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 *Events after the Reporting Period*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* (as revised in 2003)
- IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008)

Issue

1 From 1 January 1999, the effective start of Economic and Monetary Union (EMU), the euro will become a currency in its own right and the conversion rates between the euro and the participating national currencies will be irrevocably fixed, ie the risk of subsequent exchange differences related to these currencies is eliminated from this date on.

2 The issue is the application of IAS 21 to the changeover from the national currencies of participating Member States of the European Union to the euro ('the changeover').

Consensus

3 The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover. The same rationale applies to the fixing of exchange rates when countries join EMU at later stages.

4 This means that, in particular:

(a) foreign currency monetary assets and liabilities resulting from transactions shall continue to be translated into the functional currency at the closing rate. Any resultant exchange differences shall be recognised as income or expense immediately, except that an entity shall continue to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;

(b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and

(c) exchange differences resulting from the translation of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets.

Date of consensus

October 1997

Effective date

This Interpretation becomes effective on 1 June 1998. Changes in accounting policies shall be accounted for according to the requirements of IAS 8.

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraph 4. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

IAS 27 (as amended in 2008) amended paragraph 4(b). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

