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**INTERPRETATION OF  
STATUTORY BOARD  
FINANCIAL  
REPORTING STANDARD**

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**INT SB-FRS 7**

**Introduction of the Euro**

This Interpretation is applicable for annual reporting period beginning on  
1 January 2023.

## INT SB-FRS 7

Interpretation of Statutory Board Financial Reporting Standard 7 *Introduction of the Euro* (INT SB-FRS 7) is set out in paragraphs 3 and 4. The scope and authority of Interpretations are set out in the *Preface to Statutory Board Financial Reporting Standards*.

# Interpretation of Statutory Board Financial Reporting Standard 7

## *Introduction of the Euro*

### References

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- SB-FRS 1 *Presentation of Financial Statements* (as revised in 2008)
- SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- SB-FRS 10 *Events after the Reporting Period*
- SB-FRS 21 *The Effects of Changes in Foreign Exchange Rates* (as revised in 2006)
- SB-FRS 27 *Consolidated and Separate Financial Statements* (as amended in 2009)

### Issue

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- 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 SB-FRS 21 to the changeover from the national currencies of participating Member States of the European Union to the euro ('the changeover').

### Consensus

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- 3 The requirements of SB-FRS 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.

## **Effective date**

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This Interpretation becomes effective on 1 January 2006. Changes in accounting policies shall be accounted for according to the requirements of SB-FRS 8.

SB-FRS 1 (as revised in 2008) amended the terminology used throughout SB-FRSs. 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 SB-FRS 1 (revised 2008) for an earlier period, the amendments shall be applied for that earlier period.

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