



# Axxon Pack – Inflation Adjustment

Scope

## About

Axxon Consulting S.A. has been controlled for more than 20 years, localization packages to cover tax requirements throughout the region on the different solutions of Microsoft Dynamics 365 FO. For more information visit our website: <https://www.axxonconsulting.com/acerca-de-axxon/>

## Inflation adjustment

The objective of this document is to describe the scope within the Argentine location of Axxon Consulting S.A. for the professional and legal requirement to prepare the financial statements in homogeneous currency.

The professional accounting standards have enabled the re-expression of the financial statements in homogeneous currency with Resolution JG 539/18 of the Federation of Professional Councils of Economic Sciences of the Argentine Republic, which enables the application of Technical Resolution No. 6. The standards Legal entities are accompanying this criterion with national law 27.468 / 18, which indicates that the financial statements must be drawn up in constant currency and enables the comptroller organizations to receive them.

On the other hand, IFRS (International Financial Reporting Standards, or IFRS) can re-declare a homogeneous currency of the Financial Statements of entities whose functional currency is the economy of a hyperinflationary economy, defined as 100% of three-year accumulated accumulation To re-specify them, IAS 29 (International Accounting Standard) applies, which requires the use of a price index that reflects changes in the purchasing power of the currency. The scope consists of two items:

- **Accounting Inflation Adjustment**
- **Inflation Adjustment of Fixed Assets**

## Accounting Inflation Adjustment

The objective of this process is to re-express the accounting accounts, mainly of Results and Capital, by means of a periodic routine.

### The new routine:

- It will calculate monthly balances of accounting accounts specifically configured to Adjust for Inflation, within the selected period.
- It will calculate and apply coefficients to those monthly accounting balances to update them to the Cutoff Date.
  - o This is the Inflation Adjustment amount.
- It will allow the generation of an unregistered Accounting Journal so that the user can corroborate the calculated adjustment, and will allow the adjustment to be accounted for in a separate layer from that where the historical accounting is kept.

It is intended to keep historical accounting and inflation adjustments separate.

- Dynamics 365 FO manages the concept of "record layers" in which the accounting entries are recorded. The layers exist to be able to obtain reports filtered by them.
- Historical accounting is accounted for in Dynamics 365 FO in the "Current" layer.
- The Inflation Adjustment entries are accounted for in a different layer, the "Inflation Adjustment" layer, in order to keep the information separate and to obtain reports:
  - o With historical accounting data, not adjusted for inflation.
  - o With historical accounting data PLUS inflation adjustments.
  - o Or showing only the Inflation Adjustments, the entries registered in that different layer.

## **Inflation Adjustment of Fixed Assets**

The objective of this process is to keep the value of Fixed Assets updated in said module and in the accounting, and to re-express their origin value, their accumulated amortization as of a certain cut-off date, and the amortization registered in the current fiscal year.

Two new books are set up which are used to record adjustment accounting entries, keeping them in the separate record layer of historical accounting.

- The original value and accumulated depreciation adjustments are saved in a book.
- The amortization adjustments of the current year will be saved in the other book.

Within the Fixed Asset Diaries, a new type of Proposal will be used called “Inflation Adjustment Proposal”, which will calculate three movements for each fixed asset:

- Adjustment for Inflation of Origin Value
- Accumulated Amortization Inflation Adjustment
- Inflation Adjustment for Amortization of the current fiscal year

This new proposal should be run every month immediately after executing the monthly historical depreciation:

- It will reverse all previous movements of Adjustment for Inflation of Origin Value and Accumulated Amortization that have been calculated so far, and will reverse the Inflation Adjustment for Amortization of the Fiscal Year that has been calculated for the current year.
- Will recalculate those three values.
  - It will take the origin value of the fixed asset, antiquarize it, and update it to the Cutoff Date to calculate its inflation adjustment.
  - It will take the origin value plus the inflation adjustment calculated in the previous step, and it will recalculate the accumulated amortization with that new value, until the Cutoff Date.
  - It will calculate the new adjusted amortization for a month, and with this data it will calculate the adjustment for inflation of the amortization (result) of the current year.
- It will record three accounting entries for each Fixed Asset in the adjusted layer: one with the inflation adjustment of the original value, another with the inflation adjustment of the accumulated amortization, and another with the inflation adjustment of the amortization of the fiscal year.

To contemplate the accounting impact of the Sale or Cancellation of the Fixed Asset, a “Derivative Book” will be associated with the new adjusted book, so that when a fixed asset that has inflation adjustment records is sold or derecognized, also cancel the adjustments made in the adjusted layer.