

# IAS 21: Functional Currency of an Investment Holding Company

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## Extract, IFRS Discussion Group Report on Meeting – November 25, 2009

A national standard setter requested comments on whether there is, or is expected to be, divergence in practice in Canada with regard to the determination of the functional currency for investment holding companies, particularly those with no, or minimal, operating activities of their own.

IDG members did not anticipate that there would be difficulties, because IAS 21 *The Effect of Changes in Foreign Exchange Rates* provides enough guidance, but they did acknowledge that the challenge is the many variations in individual companies' fact patterns. Members drew attention to paragraph 12 of IAS 21 that notes the need for management's judgment when the indicators are mixed and the functional currency is not obvious. The members agreed that the difficulty was in the application and such problems are not the type of issue that the IFRIC considers. Furthermore, because of the slight variations in facts that could give differences in the answer, IDG members thought that it would be difficult for the IFRIC to usefully interpret this question. IDG members recommended that no request be made to the IFRIC on this issue.