



22 November 2021

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT
ED/2021/9 *Non-current Liabilities with Covenants*
(Proposed amendments to IAS 1)**

Comments to be received by 11 February 2022

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB ED/2021/9 *Non-current Liabilities with Covenants (Proposed amendments to IAS 1)*. The Exposure Draft (ED) is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>

The International Accounting Standards Board (IASB) has proposed amendments to IAS 1 *Presentation of Financial Statements* to improve the information companies provide about long-term liabilities with covenants.

IAS 1 requires a company to classify a liability as non-current only if the company has a right to defer settlement of the liability for at least 12 months after the reporting date. However, such a right is often subject to the company complying with covenants after the reporting date.

The proposed amendments would specify that conditions with which a company must comply within twelve months after the reporting period do not affect classification of a liability as current or non-current at the reporting date. Instead, companies would present separately, and disclose information about, non-current liabilities subject to such conditions.

The proposals also address feedback from stakeholders about the classification of liability as current or non-current when applying requirements introduced in 2020 that are not yet in effect. Consequently, the IASB is also proposing to defer the effective date of those requirements to align with the proposed amendment.

The FRSC invites your comments on the proposal as set out in the ED by **11 February 2022** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.