

30 November 2023

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

**INVITATION TO COMMENT ON THE IASB EXPOSURE DRAFT**  
**Financial Instruments with Characteristics of Equity**  
**– Proposed amendments to IAS 32, IFRS 7 and IAS 1**

***Comments to be received by 19 February 2024***

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft *Financial Instruments with Characteristics of Equity – Proposed amendments to IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements*. The Exposure Draft, together with a snapshot and a short video providing a high-level summary of the proposals, is available on the Institute's website:  
<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Open-for-comment-documents/fred>

IAS 32 sets out how a company that issues financial instruments should distinguish debt instruments from equity instruments. The distinction is important because the classification of the instruments affects the depiction of a company's financial position and performance. IAS 32 works well for most financial instruments. However, financial instruments have evolved to be more complex since IAS 32 was initially issued and present new reporting challenges for companies. Companies' solutions to the reporting challenges differ, resulting in diverse accounting practices that make it difficult for investors to assess and compare companies' financial position and performance. In addition, investors are calling for better information, particularly about equity instruments.

To address these challenges, the IASB proposes to:

- clarify the underlying classification principles of IAS 32 to help companies distinguish between debt and equity;
- require companies to provide disclosures that further explain the complexities of instruments that have both debt and equity characteristics; and
- add new presentation requirements for amounts – including profit and total comprehensive income – attributable to ordinary shareholders separately from the amounts attributable to other holders of equity instruments.

The FRSC invites your comments on the Exposure Draft by **19 February 2024** 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.