



14 November 2024

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

INVITATION TO COMMENT ON THE IASB EXPOSURE DRAFT
Provisions—Targeted Improvements
Proposed amendments to IAS 37

Comments to be received by 28 January 2025

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 *Provisions—Targeted Improvements—Proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. The Exposure Draft is available on the Institute's website:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Open-for-comment-documents/fred>

In response to investors' needs for transparent and comparable information about companies' provisions for assessing future cash flows and financial positions, the IASB is proposing targeted improvements to IAS 37, aimed at improving the requirements for recognising and measuring provisions on companies' balance sheets. Provisions are liabilities for uncertain timing or amount.

Key proposals in the Exposure Draft

The IASB is proposing the following targeted improvements to IAS 37:

- updating the definition of a liability in IAS 37 and the wording of the present obligation recognition criterion to align them with the definition of a liability in the *Conceptual Framework for Financial Reporting*;
- amending the requirements supporting the present obligation recognition criterion, drawing on concepts from the *Conceptual Framework for Financial Reporting*;
- specifying that the discount rate used in measuring a provision excludes non-performance risk and adding relevant disclosure requirements; and
- clarifying that the types of costs an entity includes in measuring a provision are the same as those it uses to determine whether a contract is onerous.

Impact on entities in Hong Kong

The proposals regarding the present obligation recognition criterion would have widespread applicability as they impact whether and when to recognise all types of provisions. Entities subject to levies and similar government-imposed charges are likely to be most significantly affected. Additionally, the proposals concerning the discount rate would impact entities with provisions discounted to reflect the effect of the time value of money. Entities with large long-term asset decommissioning or environmental rehabilitation provisions, typically those operating in the energy generation, oil and gas, mining and telecommunications sectors, would be most likely affected.

The FRSC invites your comments on the Exposure Draft by **28 January 2025** 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:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Fax number (+852) 2865 6603

E-mail: commentletters@hkiipa.org.hk

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