



26 February 2026

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

**INVITATION TO COMMENT ON PROPOSED AMENDMENTS TO  
ACCOUNTING GUIDELINE 5 (REVISED)  
MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS**

***Comments to be received by 27 May 2026***

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the Institute's Exposure Draft (ED) – Proposed Amendments to Accounting Guideline 5 (Revised) *Merger Accounting for Common Control Combinations*. The ED and its accompanying Explanatory Memorandum (EM), which explains the background and the proposed amendments, are available on the Institute's [website](#).

The proposed amendments respond to stakeholder feedback gathered since the Institute's 2016 post-implementation review of AG 5, as summarised in the [2018 Feedback Statement](#). While [limited amendments](#) were made in 2020, several outstanding issues were not addressed because, at that time, the FRSC considered that those outstanding issues were likely to be affected by the outcome of the International Accounting Standards Board (IASB)'s then project on Business Combinations under Common Control. Following the IASB's discontinuation of that project in November 2023, the FRSC resumed efforts towards addressing the outstanding issues.

Key proposals in the ED

Based on recent research findings and outreach feedback, the FRSC noted that certain outstanding issues remain pervasive and proposed the following amendments to address them:

- (a) Clarifying the scope of AG 5;
- (b) Clarifying that judgement is required to determine which controlling parties' perspective should be used to recognise the net assets of the acquired business or entity, and requiring disclosure of the basis for that determination;
- (c) Requiring disclosure of how shares issued as consideration are measured; and
- (d) Introducing a practical expedient that allows entities not to restate comparatives.

For details, refer to section 'IV. Summary of proposals' of the EM.

Impact on entities in Hong Kong

Common control combinations are prevalent in Hong Kong. The proposed amendments are expected to impact a wide range of entities engaged in common control combinations, including listed and private entities, as well as IPO applicants. They may also affect investors, analysts and regulators who rely on the financial statements of the combined entities to make informed decisions.

Among the proposals, the FRSC considers that proposals (a) to (c) are limited to clarifying existing requirements and enhancing the disclosure provisions in AG 5. They do not change the underlying principles of AG 5 and are not expected to impose an undue burden on preparers, as the additional disclosures can generally be prepared using readily available information.

The major change proposed in the ED is the introduction of a practical expedient that would allow entities not to restate comparatives (i.e. proposal (d)). This proposal responds to long-standing concerns that, for certain common control combinations, the costs of restatement outweigh the benefits. The FRSC believes that applying this practical expedient can alleviate the burden on preparers in preparing restated comparatives for the combined entity. This is particularly beneficial for common control combinations undertaken after an IPO or by private entities, where users of financial statements may not rely on restated financial information for decision making.

How to submit comments

The FRSC invites your comments on the Exposure Draft by **27 May 2026** to allow your comments to be considered in developing the final amendments. 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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Hong Kong Institute of Certified Public Accountants  
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E-mail: [commentletters@hki CPA.org.hk](mailto:commentletters@hki CPA.org.hk)

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