ANNEX

Comments on IASB Exposure Draft - ED/2021/4 Lack of Exchangeability

IASB Question	HKAB Comments
Question 1 — Assessing exchangeability between two currencies	
Paragraph 8 of the draft amendments to IAS 21 specifies that a currency is exchangeable into another currency when an entity is able to exchange that currency for the other currency. Paragraphs A2–A11 of [draft] Appendix A to IAS 21 set out factors an entity considers in assessing exchangeability and specify how those factors affect the assessment. Paragraphs BC4–BC16 of the Basis for Conclusions explain the Board's rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.	We agree with this proposal. It has set out explicit guidance in assessing exchangeability including "time frame", "ability to obtain the other currency", "markets or exchange mechanisms", "purpose of obtaining the other currency" and "ability to obtain only limited amounts of the other currency" which we consider appropriate.
Question 2 — Determining the spot exchange rate when exchangeability is lacking	
Paragraphs 19A–19C and paragraphs A12–A15 of the draft amendments to IAS 21 specify how an entity determines the spot exchange rate when a currency is not exchangeable into another currency. Paragraphs BC17–BC20 of the Basis for Conclusions explain the Board's rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.	We agree with this proposal. It provides preparers a flowchart for determining the spot exchange rate. Besides, it gives exceptions to preparers before using estimation technique to determine the spot exchange rate. With the consideration that the cost involved in estimation technique may be significant, in practice, preparers would prefer using observable exchange rate and first subsequent exchange rate as the estimated spot rate. Therefore, we would like to suggest the Board to include examples to illustrate the factors to be considered when applying these two types of rate as the estimated spot rate.

IASB Question	HKAB Comments
Question 3 — Disclosure	
Paragraphs 57A–57B and A16–A18 of the draft amendments to IAS 21 require an entity to disclose information that would enable users of its financial statements to understand how a lack of exchangeability between two currencies affects, or is expected to affect, its financial performance, financial position and cash flows. Paragraphs BC21–BC23 of the Basis for Conclusions explain the Board's rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.	We agree with this proposal. The guidance enables the users of financial statement to understand how the lack of exchangeability affects, or is expected to affect, the entity's financial statements. In addition, the list of disclosure items included in para A17 is useful for preparers.
Question 4 —Transition	
Paragraphs 60L–60M of the draft amendments to IAS 21 require an entity to apply the amendments from the date of initial application, and permit earlier application. Paragraphs BC24–BC27 of the Basis for Conclusions explain the Board's rationale for this proposal. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.	We agree with this proposal and do not have further comments.