



7 August 2009

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

**INVITATION TO COMMENT ON INTERNATIONAL FINANCIAL REPORTING  
INTERPRETATIONS COMMITTEE (IFRIC) DRAFT INTERPRETATION  
D25 *EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS***

***Comments to be received by 18 September 2009***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IFRIC Draft Interpretation which has been posted on the Institute's website at:

[www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php](http://www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php).

In the current environment, some entities are renegotiating the terms of financial liabilities with their creditors. In some circumstances, the creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially. The IFRIC was asked for guidance on how an entity should account for such transactions in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 32 *Financial Instruments: Presentation*.

IFRIC D25 proposes that:

- the entity's equity instruments are part of any "consideration paid" to extinguish the financial liability;
- the equity instruments are measured at either their face value or the face value of the financial liability extinguished, whichever is more reliably determinable;
- any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of these equity instruments is included in the entity's profit or loss for the period.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party. The FRSC would like to hear from both those who do agree and those who do not agree with the proposals contained in the IFRIC Draft Interpretation.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IFRIC Draft Interpretation to be considered, they are requested to be received by the Institute on or before **18 September 2009**.

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Hong Kong Institute of  
**Certified Public Accountants**  
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Comments may be made available for public review unless otherwise requested by the contributor.