

November 20, 2019

IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Colleagues,

The Saudi Organization for Certified Public Accountants (SOCPA) appreciates the efforts of the IFRS Interpretations Committee (Committee) and welcomes the opportunity to comment on the *Tentative Agenda Decision—Training Costs to Fulfil a Contract (IFRS 15)*.

We agree with the Committee conclusion that the principles and requirements in IFRS 15 and IAS 38 provide a basis for an entity to determine its accounting for training costs incurred to fulfil a contract with a customer. However, the basis in IAS 38 contradicts with the concepts of the “Costs to fulfil a contract” in IFRS 15, paragraph 95 and with the treatment of many other expenses which are capitalised in accordance with paragraph 95 of IFRS 15. We believe that the requirements of Paragraph 69(b) of IAS 38 was written in the context of general training and did not, at that time, envisage the issue raised in this enquiry. We also believe this paragraph should have been amended with the issuance of IFRS 15 without *the risk of overlooking the requirements of other standards*, a concern expressed in paragraph BC 308 of IFRS 15. This enquiry uncovers an area of an important and urgent improvement to IAS 38.

Therefore, we suggest that the Committee raise the issue to the Board to make a limited improvement to amend paragraph 69(b) of IAS 38 to be read as follows (new text is underlined):

69...

(b) expenditure on training activities unless it is incurred in fulfilling a contract with a customer in accordance with the criteria set out in paragraph 95 of IFRS 15.

Reasons for our suggestions:

1. The suggested amendment will align requirements of IAS 38 with other IFRS requirements such as IAS 16 and IAS 38 (the depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset) and IAS 19 (the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset).
2. The suggested amendment will enhance the faithful representation of the contract cost by applying the same criteria set out in paragraph 95 of IFRS 15 to all similar costs. In specific circumstances, training costs can reliably:
 - a. relate directly to a contract or to an anticipated contract that the entity can specifically identify;
 - b. generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
 - c. be expected to be recovered.
3. The suggested amendment is in line with the Board objective of capitalizing some cost of fulfilling a contract with a customer, as stated in paragraph BC 308 of IFRS 15.

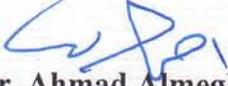
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In our opinion, such a limited amendment to IAS 38 will result in a considerable improvement in financial reporting without entailing the need for reconsidering all cost requirements comprehensively in all other standards.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

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Sincerely,



Dr. Ahmad Almeghames
Secretary General

