

September 28, 2020

IFRS Foundation
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United Kingdom

SOCPA Comments on Tentative Agenda Decision- Supply Chain Financing Arrangements—Reverse Factoring

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- Supply Chain Financing Arrangements—Reverse Factoring*.

Reverse Factoring means that the entity derecognizes a trade payable and recognizes a loan payable. According to IFRS 7, loans payable are defined to be 'financial liabilities, other than short-term trade payables on normal credit terms'. Therefore, there is no judgement involved about the amounts, nature and timing of those liabilities that allows the entity to determine whether to present such liability with trade payables or not. Allowing such judgement in the Agenda Decision will promote diverse presentation practices. Furthermore, and as we see Reverse Factoring as a loan payable, it is preferable for the Agenda decision to make reference to the IFRS 7 requirements regarding defaults and breaches on loans payable (paragraph 18), which are not requirements for trade payable. Allowing judgment about the presentation of Reverse Factoring may add to diversity in practice regarding IFRS 7 disclosure requirements about defaults and breaches on loans payable.

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

Sincerely,

Dr. Ahmad Almeghames
Secretary General