

January 23, 2020

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—Player Transfer Payments (IAS 38)*.

We disagree with the Committee conclusion that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine the recognition of player transfer payments received.

According to the fact pattern described in the request, "*The entity uses and develops the player through participation in matches, and then potentially transfers the player to another club. The entity views the development and transfer of players as part of its ordinary activities.*" From the fact pattern described in the request, the entity has two purposes of acquiring the registration right: use, development and transfer, all of which are in the course of ordinary business. In such case, IAS 38 is short in describing this situation.

According to IAS 8, an entity shall, among other things, refer to, and consider the applicability of the requirements in IFRSs dealing with similar and related issues in the absence of an IFRS that specifically applies to a transaction, other event or condition. Therefore, we would like to bring to your attention the requirement in IAS 16 for a similar situation (rent and sell the same asset in the course of an entity's ordinary activities):

68A ..., an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.

The basis for conclusion behind adding paragraph 68A to IAS 16, as stated in paragraphs BC35A-BC35F, applies perfectly to the player registration rights for use, development and transfer in the course of an entity's ordinary activities. We replicate here the same conclusion reached by the Board regarding adding paragraph 68A to IAS 16. That is, we view that entities whose ordinary activities include using, developing and subsequently selling the same intangible assets should recognise revenue from both using and selling the assets. The presentation of gross selling revenue, rather than a net gain or loss on the sale of the assets, would better reflect the ordinary activities of such entities.

Unlike assets subject to IAS 16, the entity that uses and develops the player through participation in matches with the intent for transfer would enhance the value of the registration right for sale of such right as another course of the entity's ordinary activities. This fact supports our view that the principle stated in paragraph 68A of IAS 16 would apply to entities whose ordinary activities include using, developing and subsequently selling the same intangible assets.

Accordingly, our recommendation to the Committee is to consider raising the issue to the Board for a limited amendment to IAS 38 to be in line with the principle stated in IAS 16 where there are more than one purpose of acquiring an intangible asset in the course of the entity's ordinary activities. The suggested amendment will align requirements of IAS 38 with those of IAS 16, which will enhance similarity of cross cutting issues among IFRSs and consequently enhance the faithful representation of these transactions.

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

Sincerely,

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Dr. Ahmad Almeghames
Secretary General