

September 16, 2021

IFRS Foundation
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Canary Wharf
London E14 4HD
United Kingdom

SOCPA Comments on the Request for Information: Third Agenda Consultation

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the International Accounting Standards Board (Board) and welcomes the opportunity to comment on the Request for Information: *Third Agenda Consultation*.

Below are our comments on the questions raised in the Request for Information:

Question 1

The Board's main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the IFRS for SMEs Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

(b) Should the Board undertake any other activities within the current scope of its work?

Response: SOCPA believes that the current level of focus is a function of the different types of activities the Board undertakes, the demand for such activities as it is being assessed by the Board and the availability of resources that can be directed to each activity. Therefore, it is very unlikely that any suggestion from the Board's constituents for changes in the current level of focus for each activity would be meaningful. However, different classes of the Board's constituents may have several meaningful suggestions on the level of focus on the components of each activity. For example, within the first category of the Board's activities listed in paragraph 14, the project on Business Combinations under Common Control may have precedence over other projects and should have more focus compared to other projects in this category. In this regard, SOCPA trusts that the Board already appropriately assesses the level of focus for each main activity as reflected in Table 1.

Question 2

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

- (a) Do you think the Board has identified the right criteria to use? Why or why not?
(b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Response: Although SOCPA concurs with those criteria in principle, SOCPA thinks it is difficult to assess or quantify the importance of some criteria in a way that gives one of them a precedence over another. For example, we may all agree that the “importance of the matter to investors” is a criterion in deciding whether to add a potential project to the work plan. However, taking in consideration the low level of investors' involvement, that has already been observed by the Board, in standard setting process, such a criterion may not be measurable to a sufficient degree to judge whether the Board reflects the importance of the matter to investors. Therefore, the board may use a surrogate to identify the importance of the matter to investors, for example the extent to which the matter affects the measurement of different financial statement elements and the fair presentation of financial statements and the adequacy of disclosures. Another example is the extent to which the transaction is widespread across industries. For example, lease activities are observed to be common in different sectors and the way of accounting for them has high impact on different elements of financial statements because of the observed high volume of lease transactions. Therefore, any project related to lease accounting would be of high priority regardless of whether a class of investors raise the matter to the Board or not. However, cryptocurrencies as a subject matter does not have high level of activities and the diverse ways to account for them may not lead to a material effect on the fair presentation of financial statements. SOCPA suggests redrafting the first criterion in Table 2 to read as follows (as two criteria instead of one):

- The Board’s assessment of the effect of the matter on the fair presentation of the financial statements.
- How wide the spread of the transactions is and how material the transactions are across different industries and jurisdictions.

Question 3

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
- (i) the nature of the issue; and
(ii) why you think the issue is important.

Response: the list of subjects in Appendix B includes those subjects that SOCPA considers of high priority because of their high effect on the fair presentation of financial statements, namely going concern, intangible assets and other comprehensive income.

With the growing number and importance of not-for-profit entities, SOCPA suggests as a medium priority a project on how not-for-profit entities apply IFRSs in light of the information needed by users of financial statements of such entities. Particularly, such entities need guidance on how to recognize and report contributions received and contributions made, and how to recognize and report temporary and permanent endowments.

Other subjects in Appendix B may not have that high priority.

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

Sincerely,



Dr. Ahmad Almeghames
SOCPA Chief Executive Officer