

February 07, 2022

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

SOCPA Comments on *Tentative Agenda Decision, Principal versus Agent: Software Reseller IFRS 15*

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IFRS Interpretations Committee (Committee) and welcomes the opportunity to comment on the *Tentative Agenda Decision, Principal versus Agent: Software Reseller- IFRS 15*.

We concur with the Committee's conclusion that the principles and requirements in IFRS Standards provide an adequate basis for a reseller to determine whether—in the fact pattern described in the request—it is a principal or agent for the standard software licences provided to a customer.

However, we have the following observations about the Tentative Agenda Decision analysis of the fact pattern:

1. Paragraph (c) under the heading “*Assessing whether the reseller controls the standard software licences before they are transferred to the customer*” the TAD stated that “*in the event of non-acceptance by the customer, the reseller has inventory risk after the transfer (paragraph B37(b))*”. According to the fact pattern described in the request “*the reseller is unable to return unaccepted licences to the software manufacturer or sell them to another customer*”. In our view, this clause in the contract only sets a penalty on the reseller when it fails to provide the right advice to the customer. That is inferred by the fact that the reseller cannot resell these licences. The amount of the penalty is determined by reference to the price of the cancelled licences. Therefore, in the event of non-acceptance by the customer, the reseller does not have inventory risk after the transfer since it has no control over the licences after transfer.
2. The Tentative Agenda Decision stated that “*The Committee also observed that the reseller would disclose (a) material accounting policy information in accordance with IAS 1 Presentation of Financial Statements (as amended in 2021)*”. In our view, since the aforementioned requirement in IAS 1 has not come into effect yet, it may be more appropriate to direct the inquirer to existent requirements in IFRS standards as of the date of the Agenda Decision.

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

Sincerely,



Dr. Ahmad Almeghames
Chief Executive Officer