

16 November 2023

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

RE: IFRS IC Tentative Agenda Decision - Payments Contingent on Continued Employment During Handover Periods (IFRS 3)

The Saudi Organization for Chartered and Professional Accountants (SOCPA) welcomes the opportunity to offer its views on the above Tentative Agenda Decision (TAD) discussed by the IFRS Interpretations Committee (the IFRS IC) in September 2023.

SOCPA observed that the Committee has decided not to add a standard-setting project to the work plan on the basis that the matter described in the request does not have widespread effect.

However, SOCPA believes that the matter described in the request relates to the requirements of the standard, which is in the scope of the work of the Committee. Therefore, SOCPA suggests that the IASB should revisit the guidance in paragraph B55(a) of IFRS 3 for contingent payments to selling shareholders in circumstances in which those selling shareholders become, or continue as, employees.

Our view is that this paragraph suggests if an agreement includes forfeitable contingent payments upon employment termination, it should be categorized as post-acquisition compensation. We believe that this should not be viewed as an absolute rule on its own, but rather as one of the factors to take into account when determining whether such contingent payments should be considered as part of the consideration exchanged during the acquisition or as an expense incurred after the acquisition.

We believe the current rule-based requirement in paragraph B55(a) of IFRS 3 leads to an accounting outcome that does not always reflect the economic substance of the arrangement and could even result in an entity recognising a gain from a bargain purchase. Therefore, as stated above, SOCPA recommends that the IASB reviews the current guidance relating to payments contingent on continued employment during handover periods.

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

Sincerely,



Dr. Ahmad Aimeghames

SOCPA Chief Executive Officer