الاستحقاق المحاسبي
Accrual Accounting

وزارة المالية
Ministry of Finance

Date: June 10, 2024

Mr. Ross Smith

Program and Technical Director,

International Public Sector Accounting Standards Board

International Federation of Accountants

529 5th Avenue

New York, New York 10017

RE: Comments on ED 89, *Amendments to Consider IFRIC Interpretations*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 89, *Amendments to Consider IFRIC Interpretations*.

Our responses to the specific questions raised in the Exposure Draft as well as other comments are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

a.alhomaida@mof.gov.sa

Yours sincerely,

Abdullah Al Mehthil

Head of the Public Sector Accrual Accounting Center and Secretary to the Public Sector Accounting Standards Committee

The Ministry of Finance

Riyadh, Saudi Arabia

Appendix 1 - Exposure Draft (ED) 89, *Amendments to Consider IFRIC Interpretations*

Specific Matter for Comment 1:

The IPSASB proposes amendments to IPSAS based on five IFRIC Interpretations developed by the IFRS Interpretations Committee, as presented in Table 1: Amendments to IPSAS to Consider IFRIC Interpretations, because the guidance is applicable to the public sector (see Basis for Conclusions paragraphs in the respective IPSAS). Do you agree with the proposed amendments? If not, please explain your reasons.

[Our Comments]

Yes, we agree. We also do not identify any public sector-specific reasons for departing from IFRIC 1, IFRIC 5, IFRIC 7, IFRIC 14 and IFRIC 21 other than terminology, format, consistency, and exemplification of specific situations that may arise in the public sector.

Based on our experience, the specific situations and circumstances addressed in these Interpretations are applicable to the public sector. Developing guidance on these issues will help to increase transparency in public sector entities and improve comparability between governments, state-owned enterprises, and private sector companies.

We agree that developing guidance based on IFRIC 1 will help to clarify how an entity should account for specific changes in estimates of existing liabilities to dismantle, remove and restore a property, plant, and equipment asset in the scope of IPSAS 45, or right-of-use asset in the scope of IPSAS 43.

We agree that developing guidance based on IFRIC 5 will help to clarify how an entity that is a contributor to a decommissioning fund should account for its obligation to pay decommissioning costs and its related interest in that fund.

We agree that developing guidance based on IFRIC 7 will help to clarify how an entity identifies the existence of hyperinflation in the economy of its functional currency when the economy was not hyperinflationary in the prior period.

We agree that developing guidance based on IFRIC 14 will help to clarify how an entity should consider limits on the defined benefit asset and minimum funding requirements when accounting for its post-employment defined benefits or other long-term employee defined benefits.

We agree that developing guidance based on IFRIC 21 will help to clarify how an entity should account for an obligation to pay levies imposed by a government.

Specific Matter for Comment 2:

The IPSASB decided not to propose amendments to IPSAS based on two Interpretations, as presented in Table 2: IFRIC and SIC Interpretations not proposed for inclusion in IPSAS (See the rationale listed in the table). Do you agree with the IPSASB's decision not to propose amendments to IPSAS for these two Interpretations? If not, please explain your reasons, and indicate where the guidance should be included and why.

[Our Comments]

Yes, we agree. We agree not to develop guidance in IPSAS based on IFRIC 6 and SIC-7 due to the limited scope and rare circumstances in which a public sector entity applying IPSAS would encounter the specific situations addressed in these interpretations.

Regarding IFRIC 6, we agree that there are rare circumstances where a public sector entity applying IPSAS would be a producer of electrical and electronic equipment for household use. If there is a producer of electrical and electronic equipment, it is likely that such equipment is used by public sector entities for the production of goods and provision of services to the population (e.g., defense) or for administrative and research activities, but not for household use.

Regarding SIC-7, we agree that there is limited applicability of the guidance addressed in this interpretation for international public sector. However, we agree that further work is needed to develop guidance that considers a broader scope, including dollarization, the adoption of other existing currencies and the implementation of new currencies (e.g., CFA Franc).

[Other Comments]

Amendment: Part 1 – Changes in Existing Decommissioning, Restoration and Similar Liabilities

We suggest replacing "20Y9" with "20X9" in literal (a) and "20X5" with "20Y5" in (b) of paragraph IE15, Example 4: Transition, to better reflect the chronological order.

Amendment: Part 3 – Applying the Restatement Approach under IPSAS 10, Financial Reporting in Hyperinflationary Economies

We suggest including a reference on how to address deferred tax as outlined in paragraph 4 of IFRIC 7. In some jurisdictions, certain public sector entities applying IPSAS are subject to paying income tax. This reference could be integrated similarly to the referencing method employed in paragraph 59 of IPSAS 4 (e.g., entities shall apply the relevant international or national accounting standard dealing with income taxes).

Amendment: Part 5 – Levies

- We suggest deleting the reference made in D1, where a levy on an entity may be considered a transfer expense within the scope of IPSAS 48, *Transfer Expenses*, in order to maintain consistency with the terminology used in the standards. IPSAS 48 defines a transfer expense as "an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return." IPSAS 48 does not define taxes, but IPSAS 47 does. According to IPSAS 47, taxes include other compulsory contributions and other levies. Therefore, it would be inconsistent for D1 to refer to levies as transfer expenses under the scope of IPSAS 48.
- Similar to IFRIC 21, we suggest adding "(such as income taxes that are within the scope of the relevant international or national standard dealing with income taxes)" to paragraph D1(a) to clearly indicate that the guidance does not apply to income taxes.
- Similar to IFRIC 21, we suggest including a definition of "Government". 'Government' refers to government, government agencies and similar bodies whether local, national or international.

Operator's accounting for service concession arrangements

We encourage the IPSASB to reconsider its earlier decision not to cover public sector operators' accounting for Service Concession Arrangements (IFRIC 12 and SIC 29). See IPSAS 32, paragraph BC7. We have seen concession arrangements in which both parties to the arrangement are public sector entities.