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## **SOCPA Comments on Tentative Agenda Decision: Costs Necessary to Sell Inventories (IAS 2)**

**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: Costs Necessary to Sell Inventories (IAS 2)*.

We are of the view that IFRS Standards complement each other as they are principle based standards. This is also supported by the requirement stated in IAS 8, paragraph 11, that “...management shall refer to, and consider the applicability of, the following sources in descending order: (a) the requirements in IFRSs dealing with similar and related issues; ...”. This equally applies to accounting treatments and term definitions.

Therefore, when a term is defined in a standard and appears in another without a definition, the definition in the former should apply. ‘*Cost to sell*’ and ‘*Cost of disposal*’ (which are arguably synonyms to ‘*Costs necessary to make the sale*’) are defined in other IFRSs. Both IFRS 5 and IAS 41 define ‘cost to sell’ to be “the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense”. Similarly, IAS 36 defines ‘cost of disposal’ to be “incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense”. Accordingly, we believe that the definition of ‘*cost necessary to make the sale*’ in IAS 2 should be defined in the same way as similar terms in other standards.

With the absence of a specific definition of ‘cost necessary to make the sale’ in IAS 2, we do not see any basis for the Committee inference that the requirement of IAS 2 “does not allow an entity to limit such costs to only those that are incremental, thereby potentially excluding costs the entity must incur to sell its inventories but that are not incremental to a particular sale” and the Committee conclusion that “including only incremental costs could fail to achieve the objective set out in paragraph 28 of IAS 2”.

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

Sincerely,



**Dr. Ahmad Almeghames**

**Secretary General**