

February 2, 2021

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

**SOCPA Comments on Tentative Agenda Decision: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)**

**Dear Colleagues,**

The Saudi Organization for Certified Public Accountants (SOCPA) appreciates the efforts of the IFRS Interpretations Committee (Committee) and welcomes the opportunity to comment on the *Tentative Agenda Decision: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)*.

First of all, we would like to bring to your attention that the Committee issued in March 2019 an agenda decision dealing with '*Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud*'. In that agenda decision the Committee has covered all the aspects about whether such an access is an asset, lease, or a service contract. Therefore, the Committee may find it appropriate to cross reference that agenda decision instead of discussing the issue of whether the transaction in the tentative agenda decision results in an asset or not.

Secondly, we notice from the fact patterns listed in the tentative agenda decision that the customisation service, by nature, is a necessary step to allow the customer to access the supplier's software. Therefore, we believe that the judgment involved in deciding about the configuration service is inseparable from the judgment involved in deciding about the right to access the supplier's software. Therefore, and according to the fact pattern that the '*right to receive access does not provide the customer with a software asset at the contract commencement date*' and, therefore, '*the access to the software is a service that the customer receives over the contract term*', the committee may directly guide the inquirer to amortize the upfront cost over the contract term in a systematic basis as the customer receives the access service according to paragraph 69 of IAS 38 which states that "... *In the case of the supply of services, the entity recognises the expenditure as an expense when it receives the services*". That is because the cost of configuration is, by nature, a part of the cost of the right to access the service as such right, which is received over the contract term, cannot be exercised without that configuration. Consequently, reference to the requirements in IFRS 15 is not necessary to guide the inquirer to the proper accounting for the transaction in question.

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**