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**Classification of Debt with SOCPA Comments on Tentative Agenda Decision:
Classification of Debt with Covenants as Current or Non-current (IAS 1)**

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: Classification of Debt with Covenants as Current or Non-current (IAS 1)*.

We agree with the Committee's conclusion that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine how to classify the loan as current or non-current in the three fact patterns described in the tentative agenda decision. In fact, the cases presented are straightforward and pose no question, as it is very easy to apply the requirements to them. Therefore, it is preferably to issue these cases as an education material rather than an agenda decision. Another alternative is to issue such cases within part B of the Red Book.

The problematic requirement of the amendment, however, rests with the meaning of 'substance' in context of the requirements in paragraph 72A. That paragraph states that "an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance...". It is not clear what the Board would like to accomplish, or rule out, by the inclusion of this requirement. The basis for conclusion accompanying the amendment does not offer any explanation. Therefore, we appreciate if the Committee offers an interpretation of this requirement, preferably with some examples.

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