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SOCPA Comments on *Tentative Agenda Decision, Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (AS 32)*

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, Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (AS 32)*.

Overall, we support the IFRS IC's conclusion not to add a standard-setting project to the work plan. Instead, publishing a tentative agenda decision that explains that the matter: (a) is too narrow for the Committee to consider in isolation because it is a part of a broader practice issue; (b) cannot be resolved efficiently within the confines of the existing Accounting Standards and the Conceptual Framework; and (c) is better suited to be addressed as part of the IASB's Financial Instruments with Characteristics of Equity (FICE) project.

However, although IAS 32 does not state any principles for assessing whether a decision by the shareholders should be considered as a decision of the entity, or if the decision should be deemed to be beyond the control of the entity, it is understood that the entity's decisions may need the approval by the general assembly according to the bylaw of the entity or according to laws and regulations of the jurisdiction.

The Conceptual Framework paragraph 3.8 states:

“Financial statements provide information about transactions and other events viewed from the perspective of the reporting entity as a whole, not from the perspective of any particular group of the entity's existing or potential investors, lenders or other creditors.”

While this paragraph does not clarify whether a decision by the shareholders should be considered as a decision of the entity or if the decision should be deemed to be beyond the control of the entity, it highlights those existing investors (shareholders) and the entity can have different perspectives for the same transaction.

SOCPA therefore believes since there is no implicit or explicit principle underpinning the basis of deciding whether a decision by the shareholders should be considered as a decision of the entity, the FICE project should build on the above paragraph in the Conceptual Framework to clarify that there would be instances in which a decision by the shareholders should be considered as a decision of the entity and there will be instances a decision should be deemed to be beyond the control of the entity.

Example: It could consider shareholders' decisions that have effects on the assets and liabilities of the entity as decisions of the entity, where those decisions that have no effect on the entity's

assets and liabilities could be considered as decisions of the shareholders; examples of the latter are changing in the voting rights of a class of share or establishing a new class of shares.

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

Sincerely,



Dr. Ahmad Almeghames
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