

Date: May 18, 2022

Mr John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2
CANADA

RE: *Comments on ED 81, Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*

Dear Mr. Stanford,

We welcome the opportunity to comment on Exposure Draft 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*. Our responses to the specific questions raised in the ED as well as other comments are set out in Appendix A.

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.kfa@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 A- Comments on ED 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements*

Specific Matter for Comment 1: Prudence

In paragraphs 3.14A and 3.14B, the IPSASB has provided guidance on the role of prudence in supporting neutrality, in the context of the qualitative characteristic of faithful representation. Paragraphs BC3.17A-BC3.17E explain the reasons for this guidance. Do you agree with this approach?

If not, why not? How would you modify these paragraphs?

[Our Comments] We agree.

Specific Matter for Comment 2: Obscuring Information as a Factor Relevant to Materiality Judgments

In discussing materiality in paragraph 3.32 the IPSASB has added obscuring information to misstating or omitting information as factors relevant to materiality judgments. The reasons for this addition are in paragraphs BC3.32A and BC3.32B.

Do you agree with the addition of obscuring information to factors relevant to materiality judgments? If not, why not?

[Our Comments] We agree.

Specific Matter for Comment 3: Rights-Based Approach to a Resource

Paragraphs 5.7A-5.7G reflect a rights-based approach to the description of resources in the context of an asset. The reasons for this approach are in paragraphs BC5.3A-BC5.3F.

Do you agree with this proposed change? If not, why not?

[Our Comments] We agree. However, we suggest revising footnote 1 to read: "Subsequent references to 'services' in the Conceptual Framework encompass 'goods' unless the context indicates otherwise." This is because there are specific references to services and goods later on, for example:

- Paragraph 5.7C which stating, "Some services – for example, employee services and services-in-kind – are received and immediately consumed..."
- Paragraph 5.16C(b) stating "Obligations to provide services or deliver goods."

Specific Matter for Comment 4: Definition of a Liability

The revised definition of a liability is in paragraph 5.14:

A present obligation of the entity to transfer resources as a result of past events.

The reasons for the revised definition are in paragraphs BC5.18A-BC5.18H.

Do you agree with the revised definition? If you do not agree with the revised definition, what definition do you support and why?

[Our Comments] We agree.

Specific Matter for Comment 5: Guidance on the Transfer of Resources

The IPSASB has included guidance on the transfer of resources in paragraphs 5.16A-5.16F. of the section on Liabilities. The reasons for including this guidance are in paragraphs BC5.19A-BC5.19D.

Do you agree with this guidance? If not, how would you modify it?

[Our Comments] We agree.

Specific Matter for Comment 6: Revised Structure of Guidance on Liabilities

In addition to including guidance on the transfer of resources, the IPSASB has restructured the guidance on liabilities so that it aligns better with the revised definition of a liability. This guidance is in paragraphs 5.14A-5.17D. Paragraph BC5.18H explains the reasons for this restructuring.

Do you agree with this restructuring? If not, how would you modify it?

[Our Comments] We agree. However, we suggest revising the second sentence in paragraph 5.17B to read as follows because it seems fragmented:

“For example, implementing a program or service could involve:

- Making a political promise such as an electoral pledge;
- Announcement of a policy;
- Introduction (and approval) of the budget (which may be two distinct points); and
- The budget becoming effective (in some jurisdictions the budget will not be effective until an appropriation has been effected).”

Specific Matter for Comment 7: Unit of Account

The IPSASB has added a section of Unit of Account in paragraphs 5.26A-5.26J. The reasons for proposing this section are in paragraphs BC5.36A-BC5.36C.

Do you agree with the addition of a section on Unit of Account and its content? If not, how would you modify it and why?

[Our Comments] We agree. We recommend including the term Unit of Account in the Glossary of Defined Terms as part of the consequential amendments to the IPSAS Handbook.

Specific Matter for Comment 8: Accounting Principles for Binding Arrangements that are Equally Unperformed

The IPSASB took the view that guidance on accounting principles for binding arrangements that are equally unperformed should be included in the Conceptual Framework, but that a separate section on accounting principles for such binding arrangements is unnecessary. These principles are included in paragraphs 5.26G-5.26H of the section on Unit of Account. The explanation is at paragraphs BC5.36D- BC5.36F.

Do you agree that:

- (a) Guidance on principles for binding arrangements that are equally unperformed is necessary; and if so
- (b) Such guidance should be included in the Unit of Account section, rather than in a separate section? If you do not agree, please give your reasons.

[Our Comments] We agree that guidance on principles for binding arrangements that are equally unperformed is necessary. However, the principles of accounting for binding arrangements that are equally unperformed have a section of their own in the IASB Framework while no information is given in the Basis for Conclusions as to why the IPSASB has concluded that such guidance could be incorporated in the section on Unit of Account and that a separate section is unnecessary.

Other Comments:

We recommend that the consequential changes to individual IPSASs, particularly from the changed definitions of "asset", "liability" and "material" be included with the finalized Framework, rather than introducing those changes as part of other projects.