

JURISDICTIONAL PROFILE: **Saudi Arabia**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Saudi Arabia. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Saudi Organization for Chartered and Professional Accountants (SOCPA)
Role of the organisation	SOCPA is a professional organisation established under Royal Decree No. M12 in 1991. It operates under the supervision of the Ministry of Commerce to promote the accounting and auditing profession and do whatever required to develop the profession and raise its status. A 12-member Board manages SOCPA affairs, which includes review, development and approval of accounting and auditing standards.
Website	http://www.socpa.org.sa/Socpa/Home.aspx
Email contact	info@socpa.org.sa

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	<p>IFRS Accounting Standards are required for all publicly accountable entities. SOCPA requires the application of 'IFRS Accounting Standards that are endorsed in Saudi Arabia and other standards and pronouncements endorsed by SOCPA'. The 'endorsed' standards are all IFRS Accounting Standards as issued by the International Accounting Standards Board in addition to disclosure requirements added to some standards by SOCPA. The 'other standards and pronouncements' are those standards and technical releases that are endorsed by SOCPA for matters not covered by IFRS Accounting Standards such as the subject of Zakat (religious tax/obligation).</p> <p>All SMEs (as defined in the <i>IFRS for SMEs</i> Standard) are permitted, in certain circumstances, to use full IFRS Standards, see adoption of the <i>IFRS for SMEs</i> Standard below.</p>
Additional comments provided on the adoption status?	
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	Yes, except for companies in the process of liquidation on or after April 2021 who are mandatorily required to apply the Liquidation Basis Financial Reporting Standard issued by SOCPA.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	Yes. All domestic companies
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of	Yes.

companies whose securities trade in a public market?

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? Yes.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market? Yes.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future? Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements? There are no foreign companies whose securities are traded in a public market in Saudi Arabia.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases? Not applicable.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? Not applicable.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies? All IFRS Accounting Standards are required for publicly accountable entities. Other entities may use full IFRS Accounting Standards or IFRS for SMEs Standard.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with: In conformity with IFRS Accounting Standards that are endorsed in Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)? No. The auditor's report and the basis of preparation footnote states in conformity with IFRS Accounting Standards that are endorsed in Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.

Are IFRS Accounting Standards incorporated into law or regulations? Yes.

If yes, how does that process work? By reference to the endorsed standards in law and regulations. The endorsed standards are IFRS Accounting Standards that are endorsed in Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?

Yes.

If yes, what is the process?

SOCPA has an endorsement process as part of the Accounting Standards Board regulation. That process starts with the translation of new IFRS Accounting Standards and amendments to existing standards. It includes technical, Sharia and legal review for compatibility with the Saudi Arabia environment. Inputs are sought from all accounting standards constituents (regulators, preparers, auditors, investors, academicians and the general public) as part of the endorsement process.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

Yes.

If yes, what are the changes?

SOCPA added disclosure requirements to several standards, mainly to reflect Sharia or local law. Such additions do not affect the ability of a company to assert compliance with IFRS Standards. Regarding the application of the revaluation/fair value models in IAS 16 and IAS 40, the Capital Market Authority (CMA) has issued the following provisions:

- A. Listed companies are obligated to continue to use the cost model to measure property and investment property in the financial statements prepared for financial periods within fiscal years that start before the calendar year 2022 (2023 for investment fund managers).
- B. Listed companies are permitted to use the fair value model or the revaluation model to measure property and investment property in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 (2023 for investment fund managers) or thereafter.
- C. A listed company that chooses to use the fair value model or the revaluation model to measure property and investment property shall comply with the following:
 1. The board of directors shall approve the accounting policy to adopt the fair value model or the revaluation model based on the audit committee's recommendation in this regard.
 2. Each property or investment property shall be valued by at least two valuers when preparing the annual financial statements and when using the fair value model or the revaluation model for the first time. The company shall choose the lower of the two valuations.
 3. Valuers shall be appointed by a resolution from the board of directors, upon a recommendation from the audit committee. The appointed valuer must hold a fellowship designation with the Saudi Authority for Accredited Valuers.

4. The audit committee shall monitor and oversee the valuation process and its results, and shall report to the board of directors any findings or issues.
 5. Any material gains or losses arising from a change in the fair value of investment properties shall be disclosed when announcing the interim and annual financial results. Materiality is determined in accordance with section 9 in Article 63 of The Rules on The Offer of Securities and Continuing Obligations.
 6. A note disclosure shall be made in the interim and annual financial statements to reconcile the differences between using the fair value model or revaluation model and using the cost model for the following: (total assets, net assets, net income, and comprehensive income).
- D. Listed companies are obligated to continue to use the cost model to measure plant, equipment and intangible assets for five years starting from 1/1/2020 (1/1/2021 for investment fund managers). The Authority will study the appropriateness of continuing to use the cost model or allowing the use of fair value model or the revaluation model when this period ends.

SOCPA has amended IAS 1 whereby IFRS Accounting Standards shall cease to be applicable for entities preparing financial statements on a non-going concern basis. All such entities are now required to prepare the financial statements on the liquidation basis in accordance with the Liquidation Basis Financial Reporting Standard: Principles and Requirements for Recognition, Measurement, Presentation and Disclosure, endorsed in the Kingdom of Saudi Arabia.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

Companies in process of liquidation on or after April 2021 are mandatorily required to apply the Liquidation Basis Financial Reporting Standard issued by SOCPA.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language? Yes.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

The translation follows the official IFRS Foundation translation process. In particular, it ensures an ongoing translation of the latest updates to IFRS Accounting Standards.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs? Yes.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration? Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

SOCPA adds some disclosures, mainly to reflect Sharia or local law. In addition, SOCPA has amended *IFRS for SMEs* Accounting Standard whereby the Standard is not applicable for entities preparing financial statements on a non-going concern basis. All such entities are now required to prepare the financial statements on the liquidation basis in accordance with the Liquidation Basis Financial Reporting Standard: Principles and Requirements for

Recognition, Measurement, Presentation and Disclosure, endorsed in the Kingdom of Saudi Arabia.

If the jurisdiction has made any modifications, what are those modifications?

See above.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

All SMEs (as defined in the *IFRS for SMEs* Accounting Standard) are required to use the *IFRS for SMEs* Accounting Standard endorsed in Saudi Arabia. Alternatively, an SME is permitted to use full IFRS Accounting Standards that are endorsed in Saudi Arabia, with two conditions:

- It must apply all IFRS Accounting Standards in full, not selectively.
- Once it has elected to use full IFRS Accounting Standards, it must continue applying those Standards as long as no new circumstances have arisen that make the cost and effort to continue using full IFRS Accounting Standards unnecessarily high, for example, when:
 - the ownership is transferred to a company that applies the *IFRS for SMEs* Accounting Standard, provided that the loss of control is not temporary; and
 - the SME undergoes a major restructuring that reduces the size of its operations and makes the cost and effort high for preparing financial statements according to full IFRS Accounting Standards.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

See above.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

The *IFRS for SMEs* Standard has been translated into Arabic.