

NATURAL RESOURCES

IPSASB Meeting – December 2023

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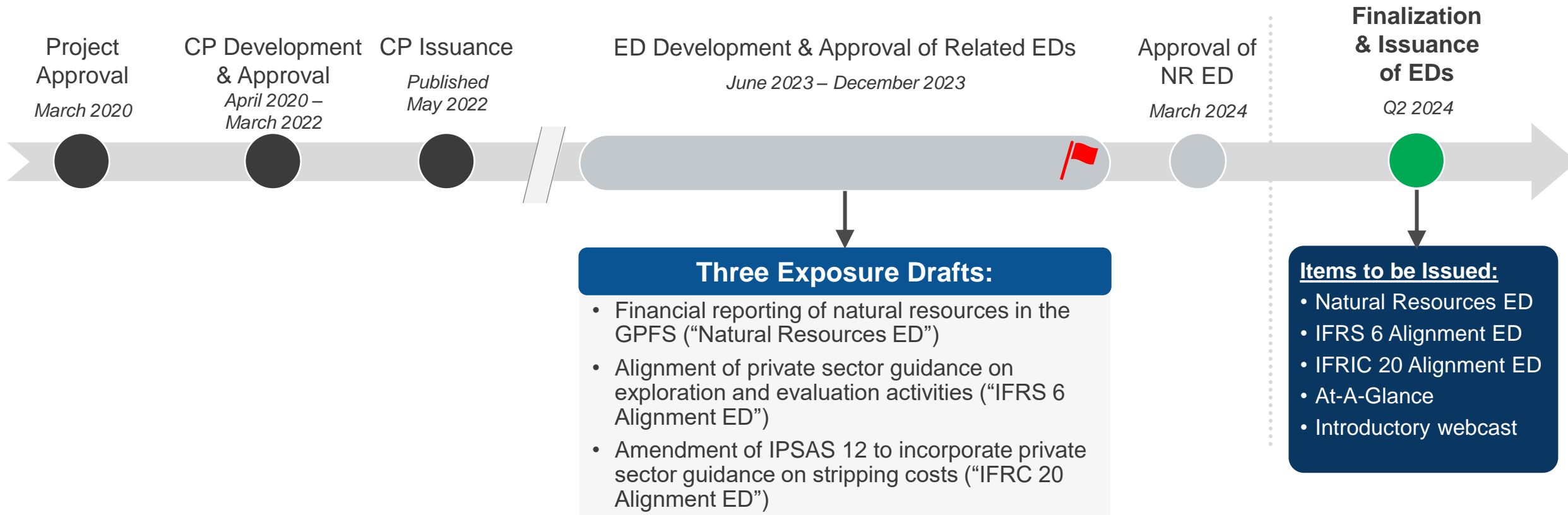


AGENDA

1. Introduction
2. Revised Recognition Criteria
3. Natural Resources Held for Conservation
4. Revised Measurement Guidance
5. Location of Guidance
6. Display and Disclosure Proposals
7. Transitional Provisions
8. Amendments to Other IPSAS
9. Proposed Topics for Implementation Guidance and Illustrative Examples
10. Review of [draft] IPSAS [X] (ED XX), *Natural Resources*

Natural Resources – Introduction

Project Timeline



Revised Recognition Criteria

Analysis

- Natural Resources Task Force looked to the discussion of recognition in the CP, the criteria in the Conceptual Framework, as well as the criteria in existing IPSAS on tangible assets
 - See Appendix A of Agenda Item 3.2.1
- IPSAS 16 and IPSAS 45 focused on future economic benefits or service potential and the ability to reliably measure the asset
- IPSAS 27 also includes ‘control as a result of past events’ as an explicit recognition criterion
 - For some natural resource, especially living resources, control is not always clear
 - The CP noted and constituents agreed that assessment of control for natural resource is expected to be complex

Recommendation

- Recognition of a natural resource should be based on:
 - Control as a result of past events
 - Probable future economic benefits or service potential
 - Ability to measure reliably

Natural Resources Held for Conservation

Analysis

- At the September 2023 meeting, some members questioned if natural resources held for conservation should be accounted for as PP&E; others asked whether these items could be recognized as assets
- Conserving a natural resource can result in service potential if conservation contributes to achieving the objectives of a public sector entity
 - Therefore, recognition as an asset is possible
- Applying the proposed recognition criteria from 3.2.1 to these natural resources would result in recognition that is consistent with the Conceptual Framework

Recommendation

- A natural resource held for conservation *can* be considered a resource
 - Recognition as an asset is possible if all other recognition criteria are met
- Recognition criteria proposed in Agenda Item 3.2.1 should also be applied to these resources

Revised Measurement Guidance

Analysis

- Initial measurement consistent with other tangible assets
- Subsequent measurement
 - Natural resources within the scope of existing IPSAS – apply guidance from these IPSAS
 - Natural resources held for conservation:
 - Current value
 - No depreciation
 - Review annually for impairment
 - Majority task force view: Revaluation in revaluation reserves
 - Alternative view: Revaluation in surplus or deficit, as changes result from activities relating to entity's objective

Recommendation

- Initial measurement
 - Deemed cost in non-exchange transactions
 - Transaction price in exchange transactions
- Subsequent measurement
 - Natural resources held for conservation:
 - At current value, changes in revaluation reserves
 - Not depreciated
 - Annual impairment review
 - Natural resources within scope of other IPSAS – apply those IPSAS

Location of Guidance

Analysis

- Task Force unanimously agreed that guidance on natural resources should be in a separate, standalone IPSAS
 - IPSAS are created based on nature of different groups of items, transactions, or topics
 - Nature of natural resources held for conservation is not the same as other tangible assets within the scope of existing IPSAS
 - Public interest considerations
 - Focus on sustainable development and sustainable use of natural resources raises importance of proposed guidance
 - Potential monetary significance
 - Understandability of one standard vs separate guidance
 - Past practice indicates constituents are *not* thinking of natural resources as items which would fall within existing IPSAS

Recommendation

- Proposed guidance on natural resources should be in a standalone IPSAS

Display and Disclosure Proposals

Analysis

- To address constituents' concerns, naturally occurring items which do not meet the definition of an asset → GPFRs
- Recognized natural resources
 - Resources within the scope of existing IPSAS – apply display and disclosure requirements in these IPSAS
 - Natural resources held for conservation – proposed specific display and disclosure requirements (see paragraphs 11-13 of paper)
- Unrecognized natural resource assets
 - Difficulties in measurement and significance in relation to the entity's objectives
 - Custodial responsibilities

Recommendation

- Clarify what should be reported in the GPFS vs GPFRs
- Specific requirements for natural resources held for conservation
- Signpost to requirements in IPSAS 12, 16, 27 and 45 for resources within the scope of these standards
- Additional proposals for unrecognized natural resource assets

Transitional Provisions

Analysis

- Task Force propose to allow prospective application
 - Some entities may have difficulties obtaining valuation of recognizable natural resources at multiple points in time, especially natural resources held for conservation
 - Natural resources held for conservation are also unlikely to have a direct impact on operations in the comparative period
- While the natural resources ED is planned for publication with the IFRS 6 and IFRIC 20 alignment EDs, guidance is technically unrelated
 - Therefore, no need to apply proposed standards/amendments at the same time

Recommendation

- Allow option for:
 - Retrospective application
 - Prospective application
 - Recognize and measure natural resource assets on the latest period-end date only
 - Cumulative impact in accumulated surpluses/(deficits)
- No need to apply together with IFRS 6 and IFRIC 20 alignment EDs

Amendments to Other IPSAS

Analysis

- Addition of display requirements for recognized natural resources in IPSAS 1
- Exclusion of recognition and initial measurement of natural resources from IPSAS 12, IPSAS 16, IPSAS 27, and IPSAS 45
- Amendment of description of heritage assets in IPSAS 45
- Addition of recognition and measurement exemption for natural resources during the transition period in IPSAS 33

Recommendation

- Proposed amendments to
 - IPSAS 1
 - IPSAS 12
 - IPSAS 16
 - IPSAS 27
 - IPSAS 45
 - IPSAS 33

Proposed Topics for IGs and IEs

Topic / Principle	AG	Proposed IG	Proposed IE
Definitions	AG2-AG4	<ul style="list-style-type: none"> Identification of natural resources 	<ul style="list-style-type: none"> None recommended
Recognition of Natural Resources	AG5-AG9	<ul style="list-style-type: none"> Recognition of unextracted subsoils resources Unit of account and reclassifications 	<p>Examples of recognition of:</p> <ul style="list-style-type: none"> Unextracted water Uncultivated living resources Land
Recognition of Subsequent Expenditures	AG10-AG11	<ul style="list-style-type: none"> Not considered necessary, as authoritative text is sufficient and principles were drawn from IPSAS 45 	<p>Proposed examples:</p> <ul style="list-style-type: none"> Conservation costs Extraction costs Land clearing costs Animal feed and treatment costs Construction costs for natural spaces

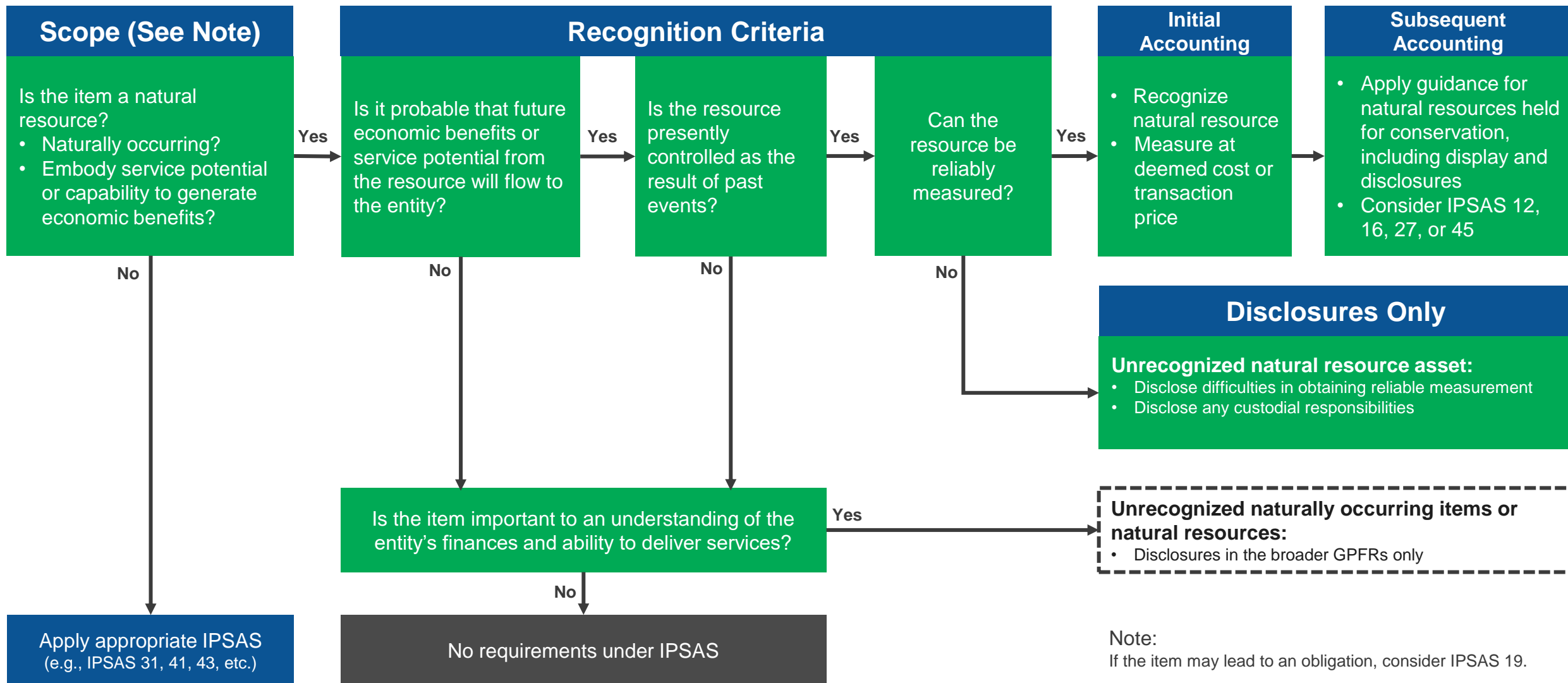
- See Appendix 1 of Agenda Item 3.2.8 for details on why IGs and IEs are not recommended for Objective, Scope, Measurement, Display, Disclosure, and Effective Date and Transition

[Draft] IPSAS [X] (ED XX), *Natural Resources*

Page-by-Page Review

- Core text, Application Guidance, and Amendments to Other IPSAS reflect the proposals from Agenda Items 3.2.1-3.2.7
- Basis for Conclusions included for review
- Implementation guidance and illustrative examples planned for March 2024 meeting

Proposed Accounting for Natural Resources



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