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IPSAS®

International Public Sector Accounting Standard®

*IPSAS [XX], Tangible Natural
Resources Held for
Conservation*

IPSASB

International Public
Sector Accounting
Standards Board®



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IPSAS [XX], *TANGIBLE NATURAL RESOURCES* *HELD FOR CONSERVATION*

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Objective

1. The objective of this [draft] Standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation.
2. To meet the objective in paragraph 1, this [draft] Standard:
 - (a) Sets out the recognition, measurement, and presentation requirements for tangible natural resources held for conservation; and
 - (b) Requires an entity to provide disclosures in their financial statements that enable users to evaluate:
 - (i) The nature of, and risks associated with, tangible natural resources held for conservation; and
 - (ii) The effects of tangible natural resources held for conservation on the entity's financial position, financial performance, and cash flows.

Scope

3. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for tangible natural resources held for conservation as defined in this [draft] Standard, ~~except where:~~

4. ~~The resource is held for use~~ This [draft] Standard does not apply to:

- (a) ~~Resources consisting~~The resource consists of materials or supplies to be consumed in the production process or in the rendering of services, held for distribution in the ordinary course of operations or in the process of production for sale or distribution. The nature of such a resource is consistent with inventories within the scope of IPSAS 12, *Inventories*;
- (b) ~~The resource is~~Resources held to earn rentals or capital appreciation, or both, which ~~is~~are consistent with ~~an investment~~ property/properties within the scope of IPSAS 16, *Investment Property*; or
- (c) Resources that are biological assets whose biological transformation is managed for sale, distribution, or conversion into agricultural produce. Such a resource would be a biological asset within the scope of IPSAS 27, *Agriculture*.
- (d) Intangible assets as defined in IPSAS 31, *Intangible Assets*;
- (e) Service concession assets within the scope of IPSAS 32, *Service Concession Arrangements: Grantor*;
- (f) Leases as defined in IPSAS 43, *Leases*;
- (g) Tangible natural resources classified as held for sale in accordance with IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*; and
- (h) Resources used in the production or supply of goods or services, for rental to others, or for administrative purposes, and is expected to be used for more than one reporting period. The nature of such a resource is consistent with an item of property, plant, and equipment within the scope of IPSAS 45, *Property, Plant, and Equipment*;
- (i) Exploration and evaluation assets within the scope of IPSAS 50, *Exploration for and Evaluation of Mineral Resources*. ~~The resource is a biological asset~~

4. This [draft] Standard also does not apply to :

5. **tangible natural resource-related obligations within the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.**
~~(j) —~~
6. ~~Tangible natural resources held for conservation are one common group of tangible natural resources which could fall within the scope of this [draft] Standard. Paragraphs AG1—AG5 provide additional guidance on these resources~~the scope of this [draft] Standard.

Definitions

7. The following terms are used in this [draft] Standard with the meanings specified:

For the purposes of this [draft] Standard, a tangible natural resource held for conservation is ~~an item which: a naturally occurring tangible asset that is managed to prevent its degradation.~~

~~(a) — Is naturally occurring; and~~

~~(b) — Embodies service potential, or the capability to generate economic benefits, or both.~~

Tangible natural resources are natural resources with physical substance.

A class of tangible natural resources held for conservation means a grouping of tangible natural resources held for conservation that are of a similar nature or held conserved for a similar reason ~~that and~~ is shown as a single item for the purpose of ~~display and~~ disclosure in the financial statements.

Terms defined in other IPSAS are used in this [draft] Standard with the same meaning as in those Standards and are reproduced in the *Glossary of Defined Terms* published separately.
8. Paragraphs AG6–AG11 provide additional guidance on the definitions in this [draft] Standard.

Recognition

9. A tangible natural resource held for conservation shall be recognized if, and only if:

(a) It is probable that ~~future economic benefits or~~ service potential associated with the ~~natural~~ resource will flow to the entity;

(b) The entity controls the tangible natural resource held for conservation as a result of past events; and

(c) The tangible natural resource held for conservation can be measured reliably.
10. The current value of an asset is reliably measurable if the variability in the range of reasonable current value measurements is not significant for that asset, or the probabilities of the various estimates within the range can be reasonably assessed.
11. If an entity holds a tangible natural resource held for conservation which meets the definition of an asset, but does not meet the recognition criterion in paragraph 8(c), the information required by paragraph 64 shall be disclosed in the notes to the financial statements. If subsequently, the tangible natural resource held for conservation becomes reliably measurable, the entity shall, from that date, recognize the tangible natural resource held for conservation in accordance with paragraph 8 and apply the measurement principles in this [draft] Standard. Paragraphs AG17–AG20 provide additional guidance on the recognition of tangible natural resources held for conservation.
12. The unit of account for a tangible natural resource held for conservation is determined when considering the recognition criteria and principles for initial and subsequent measurement. Depending on the ~~nature~~characteristics and risks associated with the item(s), ~~as well as and~~ considering the objectives ~~for which~~

~~an entity holds the item(s) of financial reporting.~~ it may be appropriate to (a) disaggregate significant items into separate units of account, then applying the recognition criteria to each individual unit, or (b) aggregate individual items into one unit of account, then apply the recognition criteria to the aggregate value. Paragraphs AG21-AG25 provide additional guidance on determination of the unit of account.

Measurement

Initial Measurement

13. **Where a tangible natural resource held for conservation is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An entity shall apply IPSAS 46, *Measurement*, when measuring the deemed cost of such a recognized tangible natural resource held for conservation.**
14. For the purpose of this [draft] Standard, the initial measurement of a recognized tangible natural resource held for conservation at its deemed cost in accordance with the requirement of paragraph 13, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraphs 23-27 and the supporting Application Guidance only apply where an entity elects to revalue a recognized tangible natural resource held for conservation in subsequent reporting periods.
15. **A recognized tangible natural resource held for conservation acquired through an exchange transaction shall be measured at its cost.**

Elements of Cost

16. ~~The cost of a recognized tangible natural resource acquired through an exchange transaction, held for conservation comprises:~~
 - ~~(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and~~
 - ~~(b) Any costs directly attributable to bringing the asset to the entity shall apply location and condition necessary for it to be capable of being conserved in the principles on elements manner intended by management.~~
17. ~~Examples of directly attributable costs are:~~
 - ~~(a) Costs of employee benefits (as defined in IPSAS 39, *Employee Benefits*) arising directly from the acquisition or development of the tangible natural resource held for conservation;~~
 - ~~(b) Costs of site preparation;~~
 - ~~(c) Initial delivery and handling costs; and~~
 - ~~(d) Professional fees.~~
18. ~~Recognition of costs in the carrying amount of a tangible natural resource held for conservation ceases when the item is in the location and condition necessary for it to be capable of being conserved in the manner intended by management.~~

Measurement of Cost

19. ~~The cost of a tangible natural resource held for conservation is the cash price equivalent or, for an item referred to in paragraph 13, its deemed cost at the recognition date. If payment is deferred and the time value of money is material, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in IPSAS 5, *Borrowing Costs*.~~

~~46-20.~~ Paragraphs AG33-AG35 ~~and provide additional guidance on the~~ measurement of cost ~~from paragraphs 14-22 of IPSAS 45 in the acquisition of a tangible natural resource held for conservation in exchange for non-monetary assets.~~

Subsequent Measurement

~~47-21.~~ After initial recognition, an entity shall apply the measurement requirements from IPSAS 46 by choosing either the historical cost model or the current value model as its accounting policy. An entity shall apply the chosen policy to an entire class of recognized tangible natural resources held for conservation.

Historical Cost Model

~~48-22.~~ Where an entity subsequently chooses to measure a recognized tangible natural resource held for conservation, which was initially measured at its cost or deemed cost, at its historical cost, the resource shall be carried at that cost or deemed cost less any accumulated depreciation (if applicable) and any accumulated impairment losses.

Current Value Model

~~49-23.~~ Where an entity chooses to measure a recognized tangible natural resource held for conservation after initial recognition using the current value model, and its current value can be measured reliably, it shall be carried at a revalued amount, being its current value at the date of revaluation, less any subsequent accumulated depreciation (if applicable) and subsequent accumulated impairment losses. ~~A. The current value of a~~ tangible natural resource held for conservation or part of the resource within the scope of this [draft] Standard is generally measured at ~~fair value if it is held for its financial capacity, or at~~ current operational value ~~if it is, as items~~ held for ~~its~~ conservation are held for their operational capacity. If the current operational value of a recognized tangible natural resource held for conservation cannot be measured after initial recognition at cost, an entity shall apply the historical cost model to that resource.

~~20-24.~~ Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date. The accounting treatment for revaluations is set out in paragraphs 25-27.

~~21-25.~~ If the carrying amount of a class of tangible natural resources held for conservation is increased as a result of revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of tangible natural resources held for conservation previously recognized in surplus or deficit.

~~22-26.~~ If the carrying amount of a class of tangible natural resources held for conservation is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of tangible natural resources held for conservation.

~~23-27.~~ Revaluation increases and decreases relating to individual assets within a class of tangible natural resources held for conservation must be offset against one another within that class but must not be offset in respect of assets in different classes of tangible natural resources held for conservation.

Depreciation

~~24-28.~~ An entity shall assess whether the useful life of a recognized tangible natural resource held for conservation is finite or indefinite, and if finite, the length of that useful life. There is a rebuttable

presumption that recognized tangible natural resources ~~within the scope of this [draft] Standard~~ held for conservation have indefinite useful lives, as these resources are typically not used or consumed like tangible assets within the scope of other IPSAS Standards.

25-29. A tangible natural resource held for conservation with a finite useful life is depreciated, while a tangible natural resource held for conservation with an indefinite useful life is not depreciated. Paragraphs AG38-AG41 provide additional guidance on the assessment of whether a tangible natural resource held for conservation has an indefinite or finite useful life.

Assets with Indefinite Useful Lives

26-30. The term “indefinite” does not mean “infinite.” The useful life of recognized tangible natural resources held for conservation should reflect evidence on factors that could affect the useful life at the time of estimating the asset’s useful life. Projections of those factors and the estimated useful life should be realistic rather than optimistic or pessimistic, which means they should be supported by objective evidence and generate relevant and faithfully representative measures of asset value and depreciation, rather than optimistic or pessimistic projections of those factors. For example, the conclusion that the useful life of a recognized tangible natural resource held for conservation is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at its current condition.

Assets with Finite Useful Lives

27-31. A recognized tangible natural resource held for conservation shall be regarded as having a finite useful life when, based on an analysis of all the relevant factors, there is clearly a foreseeable limit to the period over which the asset is expected to provide future economic benefits or service potential to the entity.

28-32. The useful life of a recognized tangible natural resource held for conservation may be very long or even indefinite. Uncertainty about an asset’s useful life when it is very long does not justify choosing a life that is unrealistically short.

29-33. The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.

30-34. The depreciable amount of a recognized tangible natural resource held for conservation shall be allocated on a systematic basis over its useful life.

31-35. The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

32-36. The depreciation method shall reflect the pattern in which the asset is expected to provide ~~future economic benefits or~~ service potential to the entity.

33-37. The depreciation method applied to an asset shall be reviewed at least at each annual reporting date, and if there has been a significant change in the pattern in which the asset is expected to provide service potential to the entity, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in accounting estimate in accordance with IPSAS 3.

Impairment

34-38. To determine whether a tangible natural resource ~~within the scope of this [draft] Standard~~ held for conservation is impaired, an entity applies IPSAS 21, *Impairment of Non-Cash-Generating Assets*, ~~or IPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate.~~ IPSAS 21 and IPSAS 26

~~explain~~**explains** how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount ~~or recoverable amount~~ of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

~~35.39.~~ An entity is required to review tangible natural resources held for conservation with an indefinite useful life annually for indications of impairment in accordance with IPSAS 21 ~~or IPSAS 26~~.

Derecognition

~~36.40.~~ The carrying amount of a recognized tangible natural resource held for conservation, or a part thereof, shall be derecognized:

- (a) On disposal;
- (b) When the entity ~~otherwise~~ ceases to control the resource; or
- (c) When no ~~future economic benefits or~~ service potential is expected from the resource.

~~37.41.~~ The gain or loss arising from the derecognition of a recognized tangible natural resource held for conservation shall be included in surplus or deficit when the item is derecognized.

~~38.42.~~ The gain or loss arising from the derecognition of a recognized tangible natural resource held for conservation shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

~~39.43.~~ The consideration receivable on disposal of tangible natural resources held for conservation is recognized initially at its fair value. If payment for the item is deferred, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue in accordance with IPSAS 47, *Revenue*, reflecting the effective yield on the receivable.

Reclassification

~~40.44.~~ If the primary intended use of a recognized tangible natural resource held for conservation or a specific component of that asset changes, the ~~recognized tangible natural resource~~asset or its component shall be reclassified based on its new primary intended use. The net carrying amount of such an asset or its component immediately before reclassification shall be its cost for subsequent accounting in accordance with IPSAS 12, IPSAS 16, IPSAS 27, or IPSAS 45.

~~41.45.~~ An entity shall reclassify a recognized tangible natural resource, held for conservation or ~~its~~ component ~~of a recognized tangible natural resource~~, as an asset held for sale within the scope of IPSAS 44 if it meets the classification criteria specified in paragraphs 11-19 of IPSAS 44.

Presentation

Display

~~42.46.~~ Consistent with the requirements in paragraph 88 of IPSAS 1, *Presentation of Financial Statements*, an entity shall display recognized tangible natural resources held for conservation within the scope of this [draft] Standard as a separate line item in the statement of financial position.

~~43.~~ ~~Based on the requirements in paragraph 88 of IPSAS 1, *Presentation of Financial Statements*, an entity is required to present separately tangible natural resources within the scope of this [draft] Standard as separate line items in the statement of financial position based on the entity's primary purpose for holding the resources. For example, tangible natural resources which are held for conservation purposes are described as 'tangible natural resources held for conservation' on the face of the financial statements and presented~~

~~separately from tangible natural resources held for other purposes (if applicable). Alternatively, this breakdown can be shown in the Notes to the Financial Statements.~~

Disclosure

44.47. The objective of the disclosure requirements is for the entity to disclose sufficient information to enable users of the financial statements to evaluate:

- (a) The nature of, and risks associated with, tangible natural resources held for conservation within the scope of this [draft] Standard; and
- (b) The effects of tangible natural resources held for conservation on the entity's financial position, financial performance, and cash flows.

45.48. Information regarding tangible natural resources held for conservation which meet the definition of an asset must be disclosed in the financial statements, even when the asset is not recognized. (See paragraphs 64-67.)

Disclosures for Recognized Tangible Natural Resources Held for Conservation

46.49. For recognized tangible natural resources held for conservation within the scope of this [draft] Standard, an entity shall disclose the following:

- (a) A narrative description of the recognized tangible natural resource held for conservation, including:
 - (i) The nature or type of the resource;
 - (ii) Information regarding the location and quantity of the resource;
 - (iii) If applicable, the significant judgments applied to determine the various units of account of a tangible natural resource held for conservation;
 - (iv) The significance of the tangible natural resource held for conservation in relation to achieving the entity's objectives, ~~including how the tangible natural resource is expected to provide future economic benefits or service potential~~; and
 - (v) The significant judgments applied to determine that the tangible natural resource held for conservation meets the asset recognition criteria;
- (b) The measurement model and basis used for determining the gross carrying amount;
- (c) If applicable, why the asset is depreciable, the depreciation method used, the useful lives or the depreciation rates used, and the gross carrying amount and the accumulated depreciation at the beginning and end of the period; and
- (d) A reconciliation of the carrying amount at the beginning and end of the period, showing:
 - (i) Any additions;
 - (ii) Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IPSAS 44 and other disposals;
 - (iii) Increases and decreases resulting from revaluations under paragraphs 24, and 25-27 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 ~~or IPSAS 26, as appropriate~~;
 - (iv) If applicable, depreciation;

- (v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 ~~or IPSAS 26, as appropriate~~;
- (vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 ~~or IPSAS 26, as appropriate~~; and
- (vii) Other relevant changes.

47.50. The financial statements shall also disclose for each class of recognized tangible natural resources held for conservation in the financial statements:

- (a) The existence and amounts of restrictions on title, legal, or similar limits on the use of ~~tangible natural~~ resources due to environmental or other regulatory requirements; and
- (b) The existence and amounts of tangible natural resources held for conservation pledged as securities for liabilities, or other ~~custodial~~ stewardship responsibilities.

48.51. In accordance with IPSAS 3, an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For recognized tangible natural resources held for conservation, such disclosure may arise from changes in estimates with respect to:

- (a) Residual values;
- (b) Useful lives; and
- (c) Depreciation methods.

49.52. If a class of recognized tangible natural resources held for conservation is stated at revalued amounts, the following shall be disclosed:

- (a) The effective date of the revaluation;
- (b) Whether an independent valuer was involved;
- (c) The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners;
- (d) The sum of all revaluation surpluses for individual tangible natural resources held for conservation within that class; and
- (e) The sum of all revaluation deficits for individual tangible natural resources held for conservation within that class.

50.53. In accordance with IPSAS 21 ~~or IPSAS 26, as appropriate~~, an entity discloses information on impaired tangible natural resources held for conservation in addition to the information required by paragraphs 49(d)(iii) and 49(d)(v)-49(d)(vi).

51.54. Users of the financial statements may also find the following information relevant to their needs. Therefore, entities are encouraged, but not required, to disclose the following:

- (a) When the historical cost model is used, the current value of a tangible natural resource held for conservation when it is materially different from the carrying amount; and
- (b) If applicable, the gross carrying amount of any fully depreciated tangible natural resources held for conservation.

52.55. In rare cases, the disclosure of ~~some or all of the~~ information required by paragraphs 45-50 can regarding the location, quantity, and carrying amount of a rare or endangered tangible natural resource held for conservation may lead to further endangerment or degradation ~~of a tangible natural resource~~. In such these

cases, an entity need not disclose ~~thesuch~~ information, but shall disclose the general nature of the ~~tangible natural~~-resource, together with the fact that, and the reason why, ~~certainthe~~ information has not been disclosed. Paragraphs AG44-AG45 provide additional guidance on rare or endangered resources.

Current Value Measurement

~~53-56.~~ As noted in paragraph 21, the initial measurement of a recognized tangible natural resource held for conservation at its deemed cost does not require the entity to choose the current value model for its accounting policy for subsequent measurement. Where it does so, the requirements of paragraph 57 are applicable for recognized tangible natural resources held for conservation which are subsequently measured using the current value model.

~~54-57.~~ **An entity shall disclose information that helps users of its financial statements assess both of the following:**

- (a) For tangible natural resources held for conservation that are measured at current operational value in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and
- (b) For current operational value measurements estimated using significant unobservable inputs, the effect of the measurements on surplus or deficit or net assets/equity for the period.

~~55-58.~~ To meet the objectives in paragraph 57~~53~~, an entity shall consider all of the requirements for current operational value or fair value in paragraphs 80-84 of IPSAS 45 following:

- (a) The level of detail necessary to satisfy the disclosure requirements;
- (b) How much emphasis to place on each of the various requirements;
- (c) How much aggregation or disaggregation to undertake; and
- (d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this [draft] Standard are insufficient to meet the objectives in paragraph 57, an entity shall disclosure additional information necessary to meet those objectives.

~~59.~~ To meet the objectives in paragraph 57, an entity shall disclose, at a minimum, the following information for each class of tangible natural resources held for conservation measured at current operational value in the statement of financial position after initial recognition. Paragraph 60 provides information on determining the appropriate classes of tangible natural resources held for conservation for current value measurement disclosures:

- (a) The current operational value measurement at the end of the reporting period;
- (b) Whether the current operational value measurements are estimated using observable or unobservable inputs;
- (c) For current operational value estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value measurement. If there has been a change in measurement technique (e.g., changing from a cost approach to a market approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For current operational value measurements estimated using significant unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value (e.g., when an entity uses prices

from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value measurement and are reasonably available to the entity;

- (d) For current operational value measurements estimated using significant unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
 - (i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized;
 - (ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized; and
 - (iii) Purchases and sales (each of those types of changes disclosed separately);
- (e) For current operational value estimated using significant unobservable inputs, the amount of the total gains or losses for the period in paragraph (i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those tangible natural resources held for conservation held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;
- (f) For current operational value measurements estimated using significant unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in current operational value measurements from period to period); and
- (g) For current operational value measurements estimated using significant unobservable inputs a narrative description of the sensitivity of the current operational value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower current operational value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the current operational value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the current operational value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with paragraph (c).

60. For the purposes of current value measurement disclosures an entity may decide that a greater disaggregation of the classes of tangible natural resources held for conservation (see paragraph 7) is required on the basis of the extent to which the current operational value uses observable or unobservable inputs.

61. The number of classes may need to be greater for current operational value measurements estimated using significant unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of tangible natural resources held for conservation for which disclosures about current operational value measurements should be provided requires judgment. A class of tangible natural resources held for conservation will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide the information sufficient to permit reconciliation to the line items presented in the statement of financial position.

62. For each class of tangible natural resources held for conservation on the historical cost basis in the statement of financial position but for which the current operational value is disclosed, an entity shall disclose the information required by paragraphs 59(b) and (f). However, an entity is not required to provide the quantitative

disclosures about significant unobservable inputs used in current operational value measurements estimated using significant unobservable inputs, required by paragraph (c). For such tangible natural resources held for conservation, an entity does not need to provide the other current value measurement disclosures required by this [draft] Standard.

63. An entity shall present the quantitative current value measurement disclosures required by this [draft] Standard in a tabular format unless another format is more appropriate.

Disclosure of Unrecognized Tangible Natural Resources Held for Conservation

56-64. Where a tangible natural resource held for conservation meets the definition of an asset but is not recognized in the financial statements because, at initial measurement, its cost or deemed cost cannot be measured reliably, the entity shall disclose:

- (a) Qualitative information regarding the resource such as the nature or type of resource, its location, and if available, its quantity;
- (b) The difficulties in obtaining a reliable measurement that prevented recognition; and
- (c) The significance of the unrecognized tangible natural resource held for conservation in relation to delivery of the entity's objectives.

65. Similar to paragraph 55, the disclosure of information regarding the location and quantity of an unrecognized tangible natural resource held for conservation may lead to further endangerment or degradation. In these cases, an entity need not disclose such information, but shall disclose the general nature of the resource held, together with the fact that, and the reason why, certain information has not been disclosed. Paragraphs AG44-AG45 provide additional guidance on rare or endangered resources.

57-66. Where subsequent expenditures on unrecognized tangible natural resources held for conservation are recognized, the disclosure requirements in paragraphs 49-63 will apply.

58-67. Where an entity acts as a steward or custodian of an unrecognized tangible natural resource held for conservation, the entity shall explain in the Notes to the Financial Statements the nature of its custodial stewardship rights and responsibilities, including the legislation or similar means that establishes the custodial responsibilities stewardship arrangement over the resource.

Effective Date and Transition

Effective Date

59-68. An entity shall apply this [draft] Standard for annual financial statements covering periods beginning on or after [MM DD, YYYY]. Earlier application is permitted. If an entity applies this [draft] Standard for a period beginning before [MM DD YYYY], it shall disclose that fact.

60-69. When an entity adopts the accrual basis IPSAS of accounting, as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*, for financial reporting purposes subsequent to this effective date, this [draft] Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.

Transition

61-70. An entity shall apply this [draft] Standard using one of the following two methods:

- (a) Using a modified retrospective approach by recognizing the tangible natural resources held for conservation which meet the asset recognition criteria on the date of initial application of this [draft] Standard at their deemed costs (current values) as at the date of initial application. The entity shall recognize the cumulative effect of initially applying this [draft] Standard as an

adjustment to the opening balance of accumulated surplus or deficit (or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, an entity need not consider tangible natural resources held for conservation which had previously met the recognition criteria but were derecognized prior to the date of initial application; or

(b) Retrospectively in accordance with IPSAS 3.

~~62.~~71. For the purposes of the requirements in paragraph 70, the date of initial application is the start of the reporting period in which an entity first applies this [draft] Standard.

72. If the current value of a tangible natural resource held for conservation cannot be reliably measured upon the initial application of this [draft] Standard, the requirements in paragraph 11 are applicable and only disclosures are required upon initial application. If the tangible natural resource held for conservation becomes reliably measurable subsequent to initial application, the entity shall, from that date, recognize the tangible natural resource held for conservation in accordance with paragraph 8 and apply the measurement principles in this [draft] Standard.

~~63.~~73. If an entity elects to apply this [draft] Standard using the modified retrospective approach in accordance with paragraph 70(a), the entity shall disclose this fact.

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS [XX].

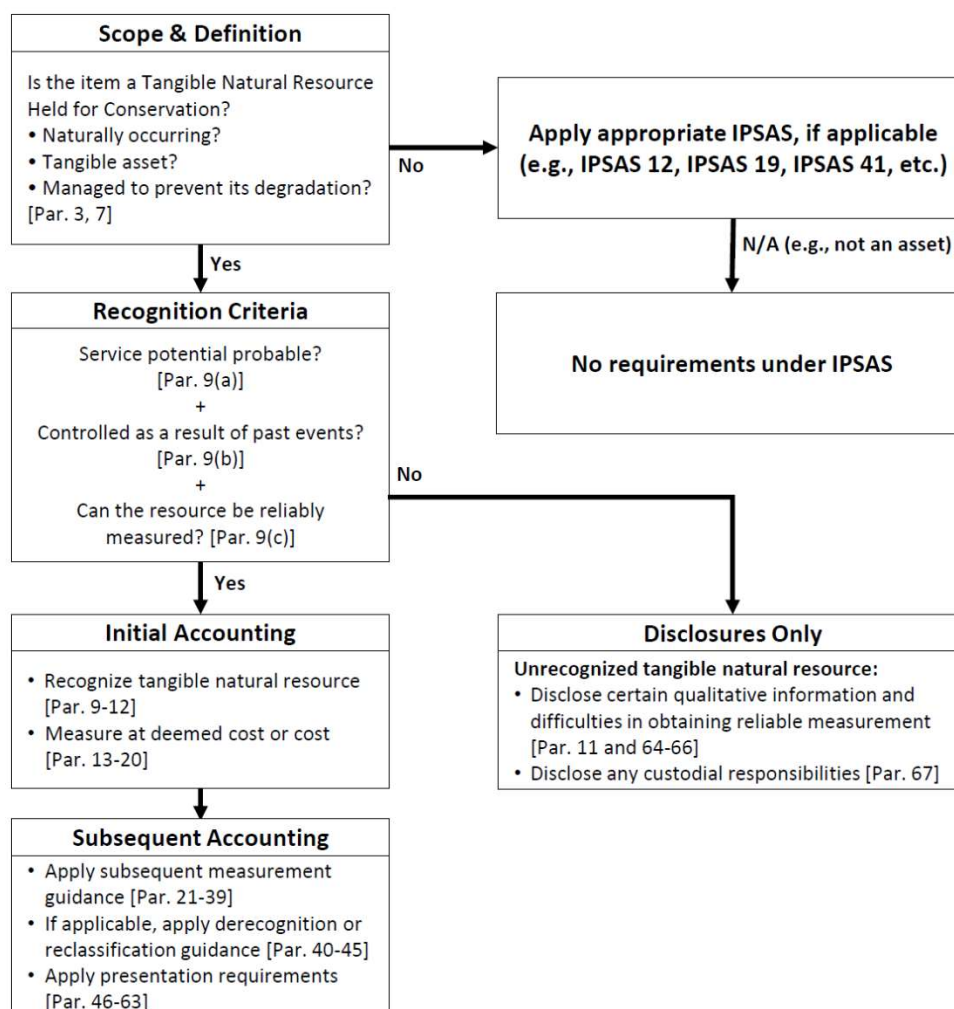
Introduction

AG1. This application guidance is organized into the following categories:

- (a) Flowchart Depicting the Application of [draft] IPSAS [X] (paragraph AG2);
- (b) Scope (paragraphs AG1–AG5);
- (c) Definitions (paragraphs AG6–AG11);
- (d) Recognition (paragraphs AG12–AG26);
- (e) Measurement (paragraphs AG27–AG41); and
- (f) Presentation (paragraphs AG42–AG45).

Flowchart Illustrating the Application of [draft] IPSAS [X]

AG2. The flowchart below may assist entities with the key considerations when applying this [draft] Standard.



Scope (paragraphs 3-6)

AG3.— This [draft] Standard applies to all tangible natural resources ~~which are not within the scope of the IPSAS Standards noted in paragraphs . As a result of this scoping approach, tangible natural resources outside the scope of these standards, such as those held for conservation, and paragraph 4 could fall provides additional clarification on assets that are not~~ within the scope of this [draft] Standard.

~~Tangible Natural Resources Held for Conservation~~

AG4.— Conservation is described as the act of managing and protecting In situations where an entity holds a tangible natural resource ~~from degradation.~~

AG5.— ~~Tangible natural resources~~for multiple uses, the entity considers all relevant facts and circumstances to determine if the tangible natural resource is held primarily for conservation purposes, rather than their use or disposal, may need to be considered assets because of the service potential provided in achieving the objectives of a public sector entity. For example, a government for another purpose such as the production or public sector entity could have an objective to maintain the current state of a tangible natural resource for the benefit of its citizens in future generations. supply of goods or services. The ~~conservation of the tangible natural resource would achieve this objective.~~

AG6-AG3. ~~As a result, a tangible natural resource held primarily for conservation, which is controlled by the entity as a result of past events and can be measured reliably, shall be recognized as determination of whether an asset is within the scope of this [draft] Standard or another IPSAS Standard is driven by the primary intended use of the asset.~~

AG4.— ~~Some~~ Some environmental or natural features are conserved for the benefit of present and future generations. The ~~determination of whether these features are considered~~ tangible natural resources held for conservation ~~may also be considered within the scope of this [draft] Standard or heritage assets as specified in within the scope of IPSAS 45, as these items are held for long periods and preserved depends on their primary intended use. A tangible natural resource held primarily for conservation could also be used for incidental operations, and such operations do not necessarily change the primary intended use of the asset. For example, an entity may earn revenue through the sale of filming permits at a conservation area. These incidental operations do not impact the classification of the asset, and the related revenue and expenses are recognized in surplus or deficit and included in their respective classifications of revenue and expense.~~

AG7-AG5. ~~In contrast, some environmental or natural features are primarily used for the provision of goods or services and are also conserved for the benefit of present and future generations in addition. For example, certain parklands could be open to visitors for use as hiking trails or campgrounds and be subjected to being naturally occurring tangible items that embody service potential and/or the capability maintenance activities that are similar to generate future economic benefits. Such tangible natural resources are conservation activities. Since these parklands are primarily intended for use as hiking trails or campgrounds, they meet the definition of property, plant, and equipment and are likely heritage assets within the scope of this [draft] Standard IPSAS 45.~~

Definitions (paragraphs 7-8)

AG8-AG6. Naturally occurring items are the living and non-living components of the Earth, together constituting the biophysical environment, which came into existence in nature without the actions of humankind.

AG7.— ~~For~~ Conservation is the act of managing and protecting a naturally occurring item to be considered a tangible natural resource, it must embody from degradation and is sometimes referred to as preservation. Generally, both conservation and preservation refer to the same concept, but for the purposes of this [draft] Standard, the term conservation is used.

- AG8.** Tangible natural resources held for conservation, rather than for their use or for disposal, may be recognized as assets because of the service potential, the capability to provided in achieving the objectives of a public sector entity. For example, a government or public sector entity could have an objective to conserve a tangible natural resource, as the resource is perceived to provide cultural or experiential value to its citizens in current and future generations. While conservation may not necessarily generate future economic benefits, or both, the cultural or experiential value resulting from achieving the public sector entity's objective represents service potential which could give rise to an asset.
- AG9.** An entity may demonstrate ~~satisfaction of this criterion~~ that a tangible natural resource held for conservation embodies service potential when there is a plan detailing how the conservation of the item is expected to provide service potential or generate economic benefits for the entity achieve the entity's objectives, the entity's ability and intent to carry out the plan, and if necessary, how the entity will obtain the resources necessary to carry out this plan. Tangible natural resources held for conservation which embody service potential, are controlled by the entity as a result of past events and can be measured reliably shall be recognized as an asset within the scope of this [draft] Standard.
- AG10.** In the context of conservation, degradation generally refers to the reduction in the overall service potential embodied in a tangible natural resource held for conservation. Degradation can result from events leading to a decline in the quantity and/or quality of a tangible natural resource held for conservation, and could include:
- (a) Depletion due to the active use or consumption of an asset, even if the use or consumption is carried out by a third party;
 - (b) Destruction of the asset, such as forest fires resulting from deliberate or accidental human action; and
 - (c) Other events that could result in the decline in the quality of the asset, such as pollution.
- AG11.** Some events may appear to lead to a decline in the quantity and/or quality of a resource when viewed in isolation but generally do not constitute degradation when considered in the context of the natural processes that are applicable to the tangible natural resource held for conservation. For example, the natural deaths of individual living resources due to age or disease within an increasing population is generally not considered degradation.

Recognition (paragraphs 9–12)

Application of the Recognition Criteria

- AG10-AG12.** The recognition of a tangible natural resource held for conservation as an asset involves an assessment of any uncertainties related to the existence and measurement of the item. For some naturally occurring items, until the item is extracted, there will be uncertainty over the existence, quantity and quality of the item in a given location. This impacts the assessment of whether the item is a recognizable asset because an item that is subjected to existence uncertainty may not be considered a resource until this uncertainty has been resolved.
- AG11-AG13.** An entity evaluates all costs related to a tangible natural resource held for conservation at the time they are incurred using the recognition principle in paragraph 9. These costs include costs incurred initially to acquire a tangible naturalthe resource.

Control as a Result of Past Events

- AG12-AG14.** An entity can obtain control of a resource through an event that is not a transaction in an orderly market, which could include non-exchange transactions or the exercise of sovereign powers, or through exchange transactions, such as a purchase from a third party. The exercise of sovereign power creates an asset only when the entity has a right to receive resources, and it can control those resources. For example, a government entity may be required to pass legislation and establish a legal framework to make use of

~~certain~~implement programs to conserve a tangible natural ~~resources in its jurisdiction, resource~~ before being able to conclude that these resources can be controlled.

AG13-AG15. In assessing whether it presently controls a tangible natural resource held for conservation, an entity assesses whether one or more of the following indicators of control exists:

- (a) Legal ownership;
- (b) Access to the resource, or the ability to deny or restrict others to access the resource;
- (c) The means to ensure that the entity can achieve its objectives with the resource; or
- (d) The existence of an enforceable right to service potential arising from the resource.

Assessments of control involve judgment, and control may exist when only some of these indicators are satisfied. Conversely, control may not exist even when most of these indicators are met.

AG14-AG16. No one indicator is more important than another indicator. Legal ownership is only one indicator demonstrating control of a tangible natural resource held for conservation. An entity may demonstrate that it controls the resource even when there is no legal ownership because it can direct the use~~conservation~~ of the resource and obtain the service potential that may flow from it. Conversely, an entity may have legal ownership but no rights to the service potential. In such circumstances, an entity considers substance over form in determining whether or not it controls the asset.

Changes in the Ability to Reliably Measure a Resource due to Changes in Facts and Circumstances

AG15-AG17. When a tangible natural resource held for conservation becomes reliably measurable due to changes in facts and circumstances, an entity applies the guidance on changes in accounting estimates in IPSAS 3, ~~Accounting Policies, Changes in Accounting Estimates, and Errors~~.

Subsequent Expenditures

AG16-AG18. An entity recognizes subsequent expenditures on tangible natural resources held for conservation in accordance with the recognition principle in paragraph 8. Under this principle, the costs of day-to-day maintenance and other expenditures such as research activities which do not result in incremental service potential are recognized in surplus or deficit as incurred. The costs of day-to-day maintenance may primarily consist of the costs of labor and consumables and could include, for example, when rangers are employed to protect a tangible natural resource held for conservation or when some form of chemical treatment is applied.

AG17-AG19. In contrast, a tangible natural resource held for conservation, or its components, may require restoration or regeneration due to certain events. For example, a portion of a forest may be destroyed by wildfires, and an entity may have to plant certain species of trees to repopulate the forest. The carrying amount of the trees that were replaced is derecognized in accordance with the paragraphs 40-43 of this [draft] Standard. Under the recognition principle in paragraph 8, an entity would recognize the cost of repopulating the forest as an asset, as these costs result in incremental service potential that would likely flow to the entity. An entity should consider the guidance on unit of account in paragraphs AG21-AG25 to assess if the costs of restoration should be recognized as separate unit of account or an increase to an existing unit of account.

Subsequent Expenditures on Unrecognized Tangible Natural Resources

AG20. The recognition of a subsequent expenditure as an asset is unaffected by whether or not the underlying tangible natural resource held for conservation was initially recognized. If the subsequent expenditure relates to a tangible natural resource held for conservation that were not initially recognized because its cost or deemed cost could not be measured reliably, it should nonetheless be reviewed in light of paragraph 9 to determine whether or not it should be recognized as an asset.

Unit of Account

AG18-AG21. As noted in paragraph 12, an entity is required to use judgment to identify the unit of account to which the recognition and measurement guidance are applied. This [draft] Standard does not prescribe a unit of account for a recognized tangible natural resource held for conservation. However, the identification of a unit of account should be based on what the entity judges to be the most useful and relevant to readers of the financial statements and achieves the qualitative characteristics of financial reporting while taking into account the constraints, such as materiality and cost-benefit considerations.

~~AG19.~~ ~~The following factors can indicate that significant components of a tangible natural resource may constitute separate units of account:~~

- ~~(a) The components are separately identifiable and measurable;~~
- ~~(b) The components are material in relation to the overall asset as well as to the financial statements as a whole; and~~
- ~~(c) There are different reasons for holding the various components within the tangible natural resource. For example, an entity may hold a natural forest mainly for conservation, but a specific portion of the forest is managed for the growth of agricultural produce. The managed portion of the forest would be considered a biological asset within the scope of IPSAS 27 while the remaining forest would be considered a tangible natural resource held for conservation within the scope of this [draft] Standard.~~

AG20-AG22. ~~In contrast,~~ The following factors can indicate that separate tangible natural resources held for conservation may be aggregated into one single unit of account:

- (a) The items are subject to similar risks, despite having some different physical characteristics;
- (b) The items are managed together in aggregate and likely subject of the same transactions; ~~and~~
- (c) The items within the unit of account are unlikely or unable to separately provide service potential to the entity; ~~and~~
- (d) Continuing with the The items can be measured together as a group and the entity is unable to measure the items individually.

AG21-AG23. For example, there may be different natural resources held for conservation-example, such as a rare natural forest and multiple wild animal species in paragraph, if the a large reserve area which is being conserved forest is part of a reservation, the entity could manage the whole reservation on an integrated basis. Activities such as controlling access into the reservationreserve and monitoring the biodiversity within the area could be performed on a reservationreserve-wide basis with the different species of plants and animals within the reservationreserve not being managed individually. Although the land, forest and animal species have different physical characteristics, the variety of conservation activities on different items in the reserve are designed to ensure that all biodiversity will flourish as a single unit. In this case, it may be appropriate to account for the various tangible natural resources within the reservationreserve, including the land, as a single unit of account.

AG24. In contrast, the following factors can indicate that significant parts of a tangible natural resource held for conservation may constitute separate units of account:

- (a) The components are separately identifiable and measurable; and
- (b) The components are material in relation to the overall asset.

AG25. The assessment of the unit of account may indicate that a resource that was initially thought to be held for conservation consists of multiple units of account that are each accounted for within different Standards. In these situations, the scoping requirements in paragraphs 3-6 should be applied to each unit of account, and

some units of account may meet the asset recognition criteria while others remain unrecognized. Because of the potentially significant difference in recognition outcomes, the determination of the appropriate unit of account is critical when accounting for tangible natural resources held for conservation.

AG22-AG26. The determination of the unit of account may also impact the subsequent measurement of a tangible natural resource held for conservation. When a recognized tangible natural resource held for conservation consists of multiple units of account ~~with differing useful lives~~, and the cost or current value of each unit is significant in relation to the total cost or current value of the resource, each unit of account shall be measured separately. Therefore, subsequent measurement considerations need to be carefully considered by the entity when making the initial judgment about the appropriate unit of account for financial reporting purposes.

Measurement (paragraphs 13-39)

Measurement of an Asset Held for Its Operational Capacity

AG23-AG27. Generally, a tangible natural resource held with the primary objective of generating a financial return will be within the scope of IPSAS 12, IPSAS 16, IPSAS 27, or IPSAS 45, and the measurement of a non-current tangible natural resource held for sale would be determined by IPSAS 44. A tangible natural resource ~~within the scope of this [draft] Standard that is~~ held for conservation will generally be held for its operational capacity, and its current value shall be measured at current operational value. ~~Tangible natural resources within the scope of this [draft] Standard that are held for other purposes could be measured at fair value if they are held for their financial capacity.~~

Application of the Current Value Model

AG24-AG28. The frequency of revaluations depends upon the changes in current values of the recognized tangible natural resources held for conservation being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some recognized tangible natural resources held for conservation may experience significant and volatile changes in current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for other recognized tangible natural resources held for conservation. For example, a mature recognized tangible natural resource held for conservation with only insignificant annual changes in current value may only require a revaluation every three or five years.

AG25-AG29. When a recognized tangible natural resource held for conservation is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways:

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated proportionately to the change in carrying amount. The accumulated depreciation (if applicable) at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment of accumulated depreciation (if applicable) and accumulated impairment losses forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 25 and 26.

AG26-AG30. A class of recognized tangible natural resources held for conservation is a group of assets of a similar nature or ~~held for~~ subject to similar reasons-conservation activities. The following are examples of separate classes:

- (a) Conservation areas consisting of land, wildlife, habitat areas, and bodies of water which are all subjected to the same management activities;
- (b) Certain species of animals subject to a specific conservation program; and
- (c) Forests in designated areas.

~~When grouping recognized tangible natural resources into classes, an entity may identify items with similar nature, but held for different reasons or functions, or vice versa. For example, while various forests might be physically similar in nature, some may be held for conservation purposes and others for commercial or agricultural purposes. This may result in the entity identifying a class of forests within the scope of this [draft] Standard, while other forests of a similar nature may fall within the scope of another IPSAS (see paragraph).~~

AG27-AG31. The items within a class of recognized tangible natural resources held for conservation are revalued simultaneously in order to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

AG28-AG32. Some or all of the revaluation surplus included in net assets/equity in respect of recognized tangible natural resources held for conservation may be transferred directly to accumulated surpluses or deficits when the assets are derecognized. This may involve transferring some or the whole of the surplus when the assets with the class of tangible natural resources held for conservation to which the surplus relates are derecognized. However, if depreciation is applicable, some of the surplus may be transferred as the assets are depreciated. In such a case, the amount of surplus transferred would be the difference between depreciation, based on the revalued carrying amount of the assets, and depreciation based on the assets' original cost. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.

Exchange of Assets

AG33. One or more tangible natural resources held for conservation may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such a tangible natural resource held for conservation is measured at its current value unless the exchange lacks commercial substance, or the current value of neither the asset received nor the asset given up is reliably measurable. (See paragraph 10.) The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at current value, its cost is measured at the carrying amount of the asset given up.

AG34. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:

- (a) The configuration (risk, timing, and amount) of the service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or
- (b) The portion of the entity's operations affected by the transaction changes as a result of the exchange; and
- (c) The difference in (a) or (b) is significant relative to the current value of the assets exchanged.

For the purpose of determining the portion of the entity's operations affected by the transaction, as in paragraph AG34(b), the entity calculates the present value of the expected cash flows (or post-tax cash flows

when tax applies) to arise from the continuing use of an asset and from its disposal at the end of its useful life. The result of these analyses may be clear without an entity having to perform detailed calculations.

AG29-AG35. For a tangible natural resource held for conservation acquired through a non-monetary exchange transaction, if an entity is able to measure reliably the current value of either the asset received or the asset given up, then the current value of the asset given up is used to measure the cost of the asset received unless the current value of the asset received is more clearly evident.

Depreciation

AG30-AG36. Although there is a rebuttable presumption that the recognized tangible natural resources held for conservation within the scope of this [draft] Standard have indefinite useful lives, a recognized tangible natural resource held for conservation may still be regarded as having have a finite useful life based on an analysis of all relevant factors. In such cases, a significant part of the recognized tangible natural resource held for conservation may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item resource. Such parts may be grouped in determining the depreciation charge.

AG31-AG37. To the extent that an entity depreciates separately some parts of a recognized tangible natural resource held for conservation, it also depreciates separately considers depreciation for the remainder of the item resource unless the remainder consists of the parts of the item components that are individually not significant. If an entity has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the useful lives of its parts. In some situations, an entity may conclude that the remainder of the resource has an indefinite useful life and are, therefore, not depreciated.

Finite and Indefinite Useful Lives

AG38. Many tangible natural resources held for conservation have indefinite useful lives. For example, although a conserved geological feature is subject to erosion over time, the applicable geological time scale is so long that there is no foreseeable limit to the period over which the asset is expected to provide service potential.

AG39. With some exceptions, land that is held for conservation has an indefinite useful life and therefore is not depreciated. One example of land with a finite useful life is when land is being encroached by rising sea levels and the entity expects that, within a finite period of time, the land will no longer be available due to either a severe and continual risk of flooding or actual submersion beneath the water.

AG40. Depending on the factors associated with the loss or displacement of land held for conservation, an entity may need to consider the appropriateness of depreciating land in future reporting periods and should continue to assess for impairment in accordance with the requirements of this [draft] Standard and IPSAS 21. Where land held for conservation is being lost or displaced as a result of, for example, unexpected coastline erosion, and such a loss was not contemplated in the assessment of useful life, the entity will need to apply:

- (a) The derecognition requirements in paragraphs 40-43 of this [draft] Standard; or
- (b) The impairment requirements in IPSAS 21.

AG41. When a tangible natural resource held for conservation consists of living resources, an entity will need to consider factors such as the characteristics and risks associated with the resource and its unit of account when determining whether the resource has an indefinite or finite useful life. Although individual organisms generally have a finite life, living resources are typically conserved at a species-wide level, so a stable or increasing population would generally support an indefinite useful life. Conversely, if a species is endangered and its overall population is declining over time, a finite life may be appropriate.

Presentation (paragraphs 46-67)

Disclosure of Unrecognized Tangible Natural Resources when Cost or Current Value Cannot be Measured Reliably

~~AG32-AG42.~~ The disclosures required by paragraph 64 for unrecognized tangible natural resources held for conservation should ensure that, when read in the context of information about recognized tangible natural resources, the financial statements provide useful and relevant information about the entity's overall holding of tangible natural resources held for conservation, and thereby support users' evaluation of the entity's finances, including its net financial position, and understanding of its ability to deliver services.

~~AG33-AG43.~~ These disclosures may be presented in aggregate for groups or classes of tangible natural resources held for conservation, provided this aggregation does not obscure significant information.

Exemption from Certain Disclosures for Rare or Endangered Tangible Natural Resources Held for Conservation

~~AG44.~~ Endangered tangible natural resources held for conservation are resources which are seriously at risk of extinction, while rare tangible natural resources held for conservation refer to resources which are uncommon, scarce or infrequently encountered. While not automatically endangered, rare species of living resources are typically more vulnerable to extinction due to their limited numbers.

~~AG45.~~ An entity assesses whether a resource is considered rare or endangered based on all relevant facts and circumstances, such as the known quantities of the resource or a population's vulnerabilities to risk factors such as disease or habitat loss. In practice, the assessment could also be based on designations determined by third parties such as international organizations or government organizations.

Appendix B

Amendments to Other IPSAS Standards

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 88(ba), 107(ca), and 153T are added, and paragraphs 92 and 134 are amended. New text is underlined, and deleted text is struck through.

Information to be Presented on the Face of the Statement of Financial Position

...

88. As a minimum, the face of the statement of financial position shall include line items that present the following amounts:

...

- (ba) Tangible natural resources ~~with a description of the purpose for holding the resource (e.g., Tangible natural resources held for conservation)~~;

...

92. The use of different measurement models for different classes of assets suggests that their nature or function differs and, therefore, ~~that~~ they should be presented as separate line items. For example, different classes of property, plant, and equipment can be carried at cost or revalued amounts in accordance with IPSAS 45. Similarly, different classes of tangible natural resources held for conservation can be carried at historical cost or current value in accordance with [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*.

...

Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes

...

107. Circumstances that would give rise to the separate disclosure of items of revenue and expense include:

...

- (ca) Disposals of ~~items of~~ tangible natural resources held for conservation;

...

Disclosure of Accounting Policies

...

134. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IPSASs. An example is disclosure of whether an entity applies the fair-current value or historical cost model to its investment property (see IPSAS 16, *Investment Property*.) Some IPSASs specifically require disclosure of particular accounting policies, including choices made by management between different policies allowed in those Standards. For example, IPSAS 45 and [draft] IPSAS [X] requires disclosure of the measurement bases used for classes of property, plant, and equipment or classes of tangible natural resources held for conservation. IPSAS 5, *Borrowing Costs*, requires disclosure of whether borrowing costs are recognized immediately as an expense, or capitalized as part of the cost of qualifying assets.

Effective Date

153T. Paragraphs 88(ba) and 107(ca) were added, and paragraphs 92 and 134 were amended by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

Amendments to IPSAS 12, *Inventories*

Paragraphs 3(c) and Paragraph 51K are added, and paragraph 4 is amended. New text is underlined, and deleted text is struck through.

3. ~~4.~~ [Deleted] This Standard does not apply to the measurement of inventories held by:

~~(c)~~ Public sector entities in the form of tangible natural resources held for conservation within the scope of [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*.

Effective Date

51K. Paragraph ~~3(c)~~4 was added by [draft] IPSAS [X], *Tangible Natural Resources*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

Amendments to IPSAS 16, *Investment Property*

Paragraphs 6(b~~c~~) and 101M are added. New text is underlined.

6. This Standard does not apply to:

(c) Tangible natural resources held for conservation within the scope of [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*.

Effective Date

101M. Paragraph 6(b) was ~~amended~~~~added~~ by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

...

Amendments to IPSAS 27, *Agriculture*

Paragraphs 3(e) and 56K are added. New text is underlined.

...

3. This Standard does not apply to:

...

(e) Tangible natural resources ~~held for conservation~~ within the scope of [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*.

...

Effective Date

...

56K. Paragraph 3(e) was added by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

...

Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*

Paragraphs 62D, 62E, and 154R are added. New text is underlined.

...

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSAS during the Period of Transition

...

[draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*

62D. Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three-year transitional relief period to not recognize assets, it is not required to apply the requirements related to tangible natural resources ~~held for conservation~~ until the exemption that provided the relief has expired, and/or when the relevant assets are recognized in accordance with the applicable IPSAS (whichever is earlier).

62E. This Standard allows a first-time adopter a period of up to three years from the date of adoption of IPSAS to recognize assets in accordance with IPSAS 12, 16, 27, and 45. During this period, a first-time adopter may need to consider the recognition requirements of those IPSAS at the same time as considering the recognition of tangible natural resources ~~held for conservation~~ in [draft] IPSAS [X]. Where a first-time adopter takes

advantage of the exemption in this Standard, it is not required to recognize tangible natural resources until the exemptions that provided relief have expired, and/or when the relevant assets are recognized in accordance with the applicable IPSAS (whichever is earlier).

...

Effective Date

...

154R. Paragraphs 62D and 62E were added by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is encouraged. If an entity applies the amendment for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

...

Amendments to IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)—Issued 2025

[Note to the IPSASB: This section may change subject to the Board's discussions regarding the IPSAS 33-Limited Scope Update. (See Agenda Item 4.)]

Paragraphs AG54(m), AG56(j), AG61 and 36A are added. New text is underlined.

...

Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSAS during the Period of Transition

...

[draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*

...

AG54. The following Standards are relevant:

...

(k) IPSAS 50, *Exploration for and Evaluation of Mineral Resources*; and

(m) IPSAS [X], *Tangible Natural Resources Held for Conservation*.

...

AG56. Where a first time adopter has not recognized the following non-financial assets under its previous basis of accounting, it may take advantage of the transition period and may recognize and/or measure them in accordance with the requirements of IPSAS for reporting periods from any date within the transition period:

(i) Exploration and evaluation assets (see IPSAS 50, *Exploration for and Evaluation of Mineral Resources*); and

(j) Tangible natural resources held for conservation (see IPSAS [X], *Tangible Natural Resources Held for Conservation*.)

AG61. This IPSAS allows a first-time adopter a period of up to three years from the date of adoption of IPSAS to recognize non-financial assets in accordance with IPSAS 12, 16, 27, and 45. During this period, a first-time adopter may need to consider the recognition requirements of those IPSAS at the same time as considering

the recognition of tangible natural resources in [draft] IPSAS [X]. Where a first-time adopter takes advantage of the exemption in this Standard, it is not required to recognize tangible natural resources until the exemptions that provided relief have expired, and/or when the relevant assets are recognized in accordance with the applicable IPSAS (whichever is earlier).

...

Effective Date

...

36A. Paragraphs AG54(m), AG56(j) and AG61 were added by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is encouraged. If an entity applies the amendment for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

...

Amendments to IPSAS 45, *Property, Plant, and Equipment*

Paragraphs 3(b) and AG2 are amended, and paragraph 87D is added. New text is underlined, and deleted text is struck through.

3. This Standard does not apply to:

...

- (b) Tangible natural resources *held for conservation* within the scope of [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation* ~~Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources);~~

...

Effective Date

...

85D. Paragraphs 3(b) and AG2 were amended by [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, issued on [MM DD YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [MM DD YYYY]. Earlier application is permitted. If an entity applies the amendments for a period beginning before [MM DD YYYY], it shall disclose that fact and apply [draft] IPSAS [X] at the same time.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS [XX].

Introduction

- BC1. In March 2020, the IPSASB approved the project brief for the Natural Resources project due to the significance of natural resources in many jurisdictions, the growing public concerns for sustainable management of the natural environment, and the lack of explicit accounting guidance on natural resources. The aim of the project iswas to develop IPSAS guidance relating to the recognition, measurement, display, and disclosure of tangible natural resources by public sector entities in their general purpose financial statements (GPFS). As the project iswas a financial reporting project, the project brief stated that any resulting IPSAS guidance willwould be developed in accordance with the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework).
- BC2. In May 2022, the IPSASB issued the Consultation Paper, Natural Resources (CP). The CP discussed the application of the principles in the Conceptual Framework to the accounting for natural resources and set out a number of the IPSASB's overarching preliminary views, as well as preliminary views specific to subsoil resources, water, and living resources. The CP also highlighted the challenges with the recognition of unextracted subsoil resources as assets within the Conceptual Framework due to uncertainties over their existence prior to extraction.

Development of Exposure Draft 92, *Tangible Natural Resources*

- BC3. Respondents to the CP generally agreed with the IPSASB's preliminary views. The IPSASB received comments from indigenous groups indicating that based on indigenous traditions and practices, it may be difficult for any entity to demonstrate control over natural resources. Many respondents also acknowledged that natural resources are likely to only meet the asset recognition criteria in very limited circumstances, while others suggested that it may be more appropriate to report information on natural resources in the broader general purpose financial reports (GPFRs) due to the expected difficulties in recognition.
- BC4. In response to this feedback, the IPSASB noted that from a financial reporting perspective, control over natural resources, and the broader issue of whether natural resources can be recognized, should be considered on a case-by-case basis using the recognition and measurement principles in the Conceptual Framework. Based on this reasoning and considering the original aim of the project, the IPSASB decided in March 2023 to proceed with developing this [draft] StandardExposure Draft 92 (ED 92) to provide financial reporting guidance on natural resources in the context of the principles in the Conceptual Framework. The IPSASB also noted that the development of such financial reporting guidance in an IPSAS Standard does not preclude the Board from developing non-financial reporting guidance on natural resources in the future.

Focus on Tangible Items

- BC5. When the IPSASB developed the project brief and the CP, the IPSASB decided to limit the scope of the project to tangible items for the following reasons:
- (a) The feedback from constituents indicated that the development of guidance for tangible natural resources, such as subsoil resources, water, and living resources, was a greater priority than the development of guidance for natural resources without physical substance, i.e., intangible natural resources, such as the electromagnetic spectrum;
 - (d)(b) The IPSASB decided that focusing on tangible natural resources alone in this project would be a more efficient use of its staff resources; and

~~(e)(c)~~ The development of guidance for intangible natural resources would be better accomplished if it was part of a more comprehensive update of the accounting guidance for intangible assets.

BC6. The IPSASB noted that the above reasons continued to be valid when it developed ED 92. As a result, the IPSASB decided to limit the focus of the ED to tangible natural resources and named the ED, “[draft] IPSAS [X], (ED 92), *Tangible Natural Resources*”.

Location of Guidance and Objective of [draft] IPSAS [X]

BC6-BC7. Due to the similarities between the proposed guidance on the recognition and measurement of natural resources and the potential relevance of guidance regarding assets within the scope of existing IPSAS, the IPSASB considered whether the guidance proposed in ~~this [draft] Standard~~ ED 92 should be located in a standalone IPSAS or as amendments to existing IPSAS. Having considered the topics that might need to be covered such as assets held for conservation purposes, the IPSASB decided that the proposed guidance on natural resources should be located in a standalone IPSAS in order to address the challenges around recognition of such assets explicitly, for public interest reasons, as well as highlighting the importance of the topic in the public sector and providing guidance in a single place in order to facilitate implementation by preparers.

~~(a)—intangible~~ Respondents to ED 92 generally agreed with locating the guidance on tangible natural resources, such as the electromagnetic spectrum;

BC7-BC8. ~~the exposure draft (ED), within a standalone IPSAS Standard or did not raise any concerns which were not previously considered by the IPSASB. As a result, the IPSASB decided to limit the focus of the ED to tangible natural resources and named the ED, “[draft] IPSAS [X], (ED 92), *Tangible Natural Resources*”—proceed with the development of guidance in a standalone IPSAS Standard.~~

Scope (paragraphs 3-6)

Scope of ED 92, *Tangible Natural Resources*

BC8-BC9. ~~When ED 92 was developed,~~ the IPSASB noted that some items which could be considered tangible natural resources may have a primary intended use within the scope of another existing IPSAS. The IPSASB therefore decided to exclude such items from the scope of this [draft] Standard to avoid duplication of guidance. Based on this scoping approach, ~~[draft] IPSAS [X] (ED 92)~~ is a residual standard that applies to any items meeting the definition of tangible natural resources which are not within the scope of existing IPSAS Standards.

BC9-BC10. The IPSASB also discussed whether ~~this [draft] Standard~~ ED 92 should include guidance on the accounting and disclosure of natural resource-related obligations and decided that these obligations would be within the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. As a result, the IPSASB decided that no additional guidance on such obligations would be provided in ~~this [draft] Standard.~~ ED 92.

Scope of [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*

BC11. ~~Respondents to ED 92 generally disagreed with the proposed residual scoping approach and noted that, consistent with an alternative view included in ED 92, they could not identify any tangible natural resources which were not already within the scope of existing IPSAS Standards other than those held for conservation. As a result, the IPSASB decided to clarify the scope to focus on conservation and named the [draft] final IPSAS Standard, “IPSAS [X], *Tangible Natural Resource Held for Conservation*.”~~

Definitions (paragraphs 7-8)

Development of the Definitions in the Consultation Paper and ED 92

BC10.—When the IPSASB developed the CP, it had proposed to describe a ‘natural resource’ as an item which:

(a)—~~Is is:~~ (a) a resource as described in the IPSASB’s Conceptual Framework;

(b)—~~Is~~ (b) naturally occurring; and

BC11-BC12. ~~Is~~ (c) in its natural state. While the IPSASB noted that the requirement to be in its natural state was necessary to delineate between natural and other resources, respondents to the CP noted that the general description would be difficult to implement due to a lack of clarity on what is in its natural state and what is considered naturally occurring.

BC12-BC13. In response to constituents’ concerns, the IPSASB decided to develop a definition of ‘tangible natural resource’ in ED 92 using a top-down approach, starting with the broader concept of ‘nature’ as defined in other internationally relevant reporting frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) Framework and the United Nation’s System of Environmental-Economic Accounting (2012) (UN SEEA) Central Framework.

BC13-BC14. These frameworks envisioned nature as a collection of ‘environmental assets,’ which, at the time ED 92 was developed, were defined as the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.

BC14-BC15. The IPSASB noted that the term ‘environmental assets’ embodies the same key characteristics of ‘natural resources’ as described in the CP. However, this term could not be incorporated as it was into IPSAS, as the term ‘asset’ already has a specific definition in the IPSASB’s Conceptual Framework that is not consistent with how it is defined and used in the TNFD or UN SEEA frameworks.

BC15-BC16. Furthermore, the concept of providing benefits to humanity is similar to the concept of providing service potential or the capability to generate economic benefits in the IPSASB’s Conceptual Framework. However, because the objective of financial reporting using IPSAS is to provide information about an individual entity for accountability and decision-making purposes, the IPSASB decided it would be more appropriate for a tangible natural resource to refer to service potential or the capability to generate economic benefits rather than broadly referring to benefits to humanity.

BC16-BC17. Finally, because ED 92 focuses on tangible items only, using the term ‘tangible natural resources’ rather than ‘environmental assets’ is another way to highlight the differences from the concepts in the TNFD Framework and the UN SEEA Central Framework. This differentiation will avoid unintended interactions between tangible natural resources in financial reporting under IPSAS and the reporting of naturally occurring items in the sustainability and statistical reporting context. The guidance from the other internationally relevant reporting frameworks could however still be relevant in considering the financial reporting treatment of items that these frameworks classify under the land, freshwater and ocean realms.

BC17-BC18. As a result, the IPSASB developed the definition of ‘tangible natural resources’ in paragraph 6 of ~~[draft]~~ **Standard ED 92** based on the term ‘environmental assets’ from the TNFD Framework and UN SEEA Central Framework but modified the definition to reflect the conventional nomenclature and objectives of financial reporting under IPSAS **Standards**.

Revisions to Definitions in [draft] IPSAS [X]

BC19. Due to the clarification of scope as explained in paragraph BC11, the IPSASB decided to further revise the definitions in [draft] IPSAS [X] to be consistent with the clarified scope. The IPSASB noted that the definition of a tangible natural resource held for conservation would need to capture the following characteristics:

- (a) The item is naturally occurring;
- (b) The item is a resource which embodies service potential;
- (c) The item has physical substance; and
- (d) The item is held for conservation, which broadly means it is managed to prevent its degradation.

BC20. Based on these characteristics, and to be consistent with the definitions in other IPSAS Standards, the IPSASB developed the definition in paragraph 7 of [draft] IPSAS [X] by referring to naturally occurring tangible assets which are managed to prevent their degradation.

Recognition (paragraphs 9-12)

BC18-BC21. When the IPSASB developed the CP, it included preliminary views indicating that the recognition of tangible natural resources, especially subsoil resources, as assets in GPFS would be challenging due to the definition of an asset, and the asset recognition criteria in the Conceptual Framework, as well as limitations in the technologies currently used to identify, quantify, and establish the existence of certain tangible natural resources.

BC19-BC22. ~~As noted in paragraph , the IPSASB decided to proceed with developing this [draft] Standard based on the recognition and measurement principles in the Conceptual Framework.~~ To operationalize the application of the asset recognition criteria from the Conceptual Framework to tangible natural resources held for conservation, the IPSASB looked to the recognition criteria in the IPSAS for other tangible assets, such as IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, IPSAS 27, *Agriculture*, and IPSAS 45, *Property, Plant, and Equipment*. The IPSASB noted that most of these standards shared similar recognition criteria regarding the probable flow of future economic benefits or service potential to the entity and the ability to reliably measure the asset. These two criteria were used as a starting point to develop the recognition criteria for tangible natural resources in paragraph 9 ~~of this [draft] Standard.~~ ~~The IPSASB considered whether the first recognition criterion should be limited only to service potential but noted that as this [draft] Standard can apply to other tangible natural resources in addition to those held for conservation, it would be appropriate to include both economic benefits and service potential.~~ of this [draft] Standard.

BC23. The IPSASB initially considered whether the first recognition criterion should include both economic benefits and service potential to be consistent with the recognition of tangible assets in other IPSAS Standards. However, after the clarification of scope as explained in paragraph BC11, the IPSASB decided that tangible natural resources held for conservation are only held for their operational capacity, as their conservation would only provide service potential to an entity. Other tangible natural resources which are held for their capacity to generate economic benefits, service potential, or both, would likely be within the scope of other IPSAS Standards.

BC20-BC24. The IPSASB also noted that unlike property, plant, and equipment, investment property, or inventories where the determination of control is relatively straight forward when an entity incurs cost to acquire, develop, or construct the asset, the assessment of control for tangible natural resources held for conservation is more complex and will require the application of judgement to facts and circumstances specific to each resource. As a result, the IPSASB also included the demonstration of control from past events as an explicit recognition criterion for tangible natural resources held for conservation.

BC21-BC25. The IPSASB considered using the term “natural assets” to refer to tangible natural resources which have met the asset recognition criteria. However, this term was already used in the GPFRs of various public sector entities to broadly refer to items which include tangible natural resources held for conservation, infrastructure developed from tangible natural resources, or ecosystems. The IPSASB also considered using the term “tangible natural resource assets” but noted that some tangible natural resources held for conservation may meet the definition of an asset and remain unrecognized as they cannot be measured

reliably. As a result, this [draft] Standard refers to tangible natural resources held for conservation which meet the asset recognition criteria as 'recognized tangible natural ~~resources~~resources held for conservation'.

Measurement (paragraphs 13-39)

BC22-BC26. To operationalize the principles from IPSAS 46, *Measurement*, and to be consistent with the Standards on other tangible assets such as IPSAS 45, the IPSASB proposed that the measurement of a tangible natural resource held for conservation at initial recognition should be determined based on whether or not control of the asset was obtained as the result of an event that is a transaction in an orderly market. Tangible natural resources held for conservation which were recognized as the result of an event that is not a transaction in an orderly market, which could include a non-exchange transaction, would be recognized at their deemed cost (current value). In contrast, resources recognized as the result of an exchange transaction in an orderly market would be recognized at cost.

BC23-BC27. The IPSASB noted that it is more likely for a tangible natural resource ~~within the scope of this [draft] Standard~~held for conservation to be recognized from an event that is not a transaction in an orderly market, such as non-exchange transactions or the exercise of sovereign powers. In such cases, as there will be no direct cost information available, such assets will need to be initially measured at deemed cost. While the acquisition of tangible natural resources held for conservation in an exchange transaction is possible, such transactions are expected to be rare in the public sector. Based on these observations, the measurement guidance was drafted in a different order to focus on the initial measurement of events which are not a transaction in an orderly market. ~~For clarity and conciseness, the IPSASB also proposed to cross-reference to the guidance on elements of cost and measurement of cost from IPSAS 45, rather than duplicating the guidance in this [draft] Standard.~~

BC24-BC28. For subsequent measurement of recognized tangible natural resources held for conservation, the IPSASB decided to leverage the subsequent measurement guidance from IPSAS 45 and allow an entity to subsequently measure the asset using either the historical cost model or a current value model, independently of whether it was initially measured at cost or deemed cost.

Depreciation

BC25-BC29. The IPSASB noted that the ~~recognized~~ tangible natural resources ~~within the scope of this [draft] Standard~~held for conservation are not typically used or consumed in a manner similar to tangible assets within the scope of other IPSAS Standards. As a result, the IPSASB decided to include a rebuttable presumption that ~~recognized~~ tangible natural resources held for conservation generally have an indefinite useful life and are typically not depreciated. ~~For~~The IPSASB developed guidance on the assessment of whether a recognized tangible natural resource held for conservation has an indefinite or finite life, as well as guidance on the depreciation of a resource that clearly has a finite useful life, the based on guidance on depreciation from IPSAS 45 was incorporated into this [draft] Standard, tailored for conservation.

Derecognition (paragraphs 40-45)

BC26-BC30. The IPSASB decided to leverage the guidance from IPSAS 45 when developing the guidance on the derecognition of tangible natural resources held for conservation. The IPSASB also considered whether specific guidance on the sale and leaseback of tangible natural resources held for conservation should be developed but noted that such scenarios are expected to be exceptionally rare in practice. Furthermore, entities can leverage the general guidance on sale and leaseback transactions from IPSAS 43, *Leases*, if such situations do occur, so no specific guidance was needed.

Presentation (paragraphs 46-67)

BC27-BC31. The IPSASB decided to incorporate the disclosure proposals for recognized tangible natural resources from the CP, which are broadly consistent with the disclosure requirements from IPSAS 45.

BC28-BC32. In addition, when the IPSASB developed the CP, it had also proposed the following financial statement disclosures for unrecognized natural resources to address both the accountability and decision making objectives for financial reporting in the public sector:

- (a) Qualitative disclosures for a natural resource which meets the definition of an asset but could not be recognized due to the inability to measure the resource reliably. These disclosures focused on explaining the difficulties in obtaining a reliable measurement and the significance of the natural resource to the delivery of the entity's objectives;
- (b) Qualitative disclosures regarding custodial responsibilities relating to a natural resource, regardless of whether the resource is recognized; and
- (c) Qualitative disclosures on unrecognized natural resources that do not meet the definition of an asset but is important to an understanding of the entity's finances or delivery of services.

BC29-BC33. The IPSASB decided to retain the proposed disclosures noted in paragraph BC32(a), as the required information is expected to be readily available to an entity. The proposed disclosure in paragraph BC32(b) was also retained, as it relates to potential obligations which are similar in nature to contingent liabilities or potential obligations from pledges, rather than the underlying unrecognized tangible natural resource held for conservation.

BC30-BC34. Respondents to the CP were particularly concerned by the requirements in paragraph BC32(c) and noted that such disclosures in the financial statements would likely not be auditable. As a result, the IPSASB decided to clarify that only information regarding tangible natural resources held for conservation that meet the definition of an asset is to be disclosed in the financial statements. Items which do not meet the definition of an asset are not covered by any requirements within this [draft] Standard.

Disclosure of Information Regarding Rare or Endangered Tangible Natural Resources

BC34-BC35. In some situations, the disclosure of information regarding rare or endangered tangible natural resources held for conservation, regardless of whether they are recognized, may lead to their further endangerment or degradation. For example, disclosing ~~the~~ information on the quantity and location of endangered species may lead to their illegal poaching. To address this concern, the IPSASB decided to allow an entity to limit the disclosure of such information. This approach is similar to IPSAS 19, which has an exemption from disclosing information which may prejudice an entity's position in a dispute with other parties.

BC36. The IPSASB noted that it may be difficult for an entity to determine whether a resource is rare or endangered. As a result, the IPSASB provided guidance on what is considered rare or endangered and noted that in practice, the determination of whether a resource is rare or endangered could be based on designations made by third parties such as international organizations or government entities.

Effective Date and Transition (paragraphs 68-73)

BC32-BC37. The IPSASB noted full retrospective application of this [draft] Standard may lead to some scenarios where an entity would need to account for tangible natural resources held for conservation which have been derecognized prior to the date of initial application. To provide transitional relief, the IPSASB decided that an entity could elect to apply this [draft] Standard using a modified retrospective approach and only recognize tangible natural resources held for conservation which meet the asset recognition criteria on the date of initial application. The IPSASB also considered allowing a prospective transition approach but noted that as many tangible natural resources held for conservation would have been controlled by an entity

in historical periods, a large percentage of ~~tangible natural~~these resources would not be recognized if a prospective approach was used. As a result, only the full retrospective or modified retrospective approaches were included in this [draft] Standard.

BC38. In response to feedback on ED 92, the IPSASB also clarified that if a tangible natural resource held for conservation cannot be recognized because its current value cannot be reliably measured upon the initial application of this [draft] Standard, the guidance in paragraphs 11 and 64 are applicable and only disclosures are required until the resource becomes reliably measurable.

BC33-BC39. The IPSASB initially considered whether this [draft] Standard should be applied together with IPSAS 50, *Exploration for and Evaluation of Mineral Resources*, and *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)*. However, as the guidance in these pronouncements is not related from a technical perspective and their application would not impact the implementation of this [draft] Standard, the IPSASB decided it was unnecessary to require the application of this [draft] Standard at the same time as the application of IPSAS 50 and the amendments to IPSAS 12.

Application Guidance (Appendix A)

Tangible Natural Resources Held for Conservation

BC40. Based on the ~~broad-scoping approach~~clarified scope as explained in ~~paragraphs~~paragraph BC11, the IPSASB decided to provide additional application guidance to explain the concept of conservation and that whether a tangible natural resources held for conservation are only one example of natural resources which could fall resource is within the scope of this [draft] Standard. ~~Based will depend on this decision, an entity's primary intended use of the resource.~~

BC34. The IPSASB ~~decided that the general principles on recognition, measurement, display, and disclosure in this [draft] Standard are applicable to tangible natural resources held for conservation and that a description of what is meant by conservation should be provided in the application guidance rather than introducing a formal definition in the [draft] Standard.~~

BC35-BC41. The IPSASB ~~also~~ observed that some tangible natural resources held for conservation could ~~also~~ have some of the characteristics of heritage assets as described in IPSAS 45. ~~To assist with situations when this potential overlap exists, the IPSASB decided to amend the description of~~To help distinguish between heritage assets and tangible natural resources held for conservation, paragraphs AG4-AG5 in IPSAS 45 were developed to remove the references to explain that the classification of a conserved natural or environmental and natural features. As a result, tangible natural resources held for conservation which would otherwise also meet the description of heritage assets would fall within the scope of this [draft] Standardfeature will depend on its primary intended use.

Identification of Potential Tangible Natural Resources

BC36-BC42. In response to the CP, some constituents raised concerns regarding whether it was necessary to perform a detailed exercise to create an inventory of all naturally occurring items in a jurisdiction in order to identify all potential tangible natural resources. held for conservation. These respondents noted that such an exercise would be extremely costly, even if the resulting recognition, measurement, display, and disclosure impact in the GPFS will be minimal. When this [draft] Standard was developed, the IPSASB noted that the definition of tangible natural resources in paragraph 7, along with the related application guidance in paragraph AG11 of the [draft] Standard, ~~will~~would limit the potential tangible natural resources held for conservation to naturally occurring items that are subject to a detailed management plan demonstrating how such items would provide service potential ~~or generate economic benefits~~ for the entity. In addition, Section B.1 of the Implementation Guidance was developed to explain how an entity can effectively identify

all potential tangible natural resources held for conservation without individually considering each naturally occurring item in the jurisdiction.

Recognition upon Changes in Facts and Circumstances

BC37-BC43. The IPSASB noted that a tangible natural resource held for conservation which was initially not recognized as it could not be reliably measured could subsequently become measurable due to changes in facts and circumstances. The IPSASB considered developing guidance specific to such changes but noted that no additional guidance was required, as such scenarios are already addressed by IPSAS 3, *Accounting Policies, Changes in Accounting Estimates, and Errors*. As a result, the IPSASB decided to only include application guidance signposting to IPSAS 3 when such changes in facts and circumstances occur.

Subsequent Expenditures on Unrecognized Tangible Natural Resources

BC38-BC44. The IPSASB noted that, in IPSAS 45, the accounting for subsequent expenditures on heritage property, plant, and equipment is driven by whether the subsequent expenditure meets the recognition principles in IPSAS 45, and that this assessment is unaffected by whether or not the underlying heritage property, plant, and equipment was initially recognized. The IPSASB applied the same principle to subsequent expenditures relating to unrecognized tangible natural resources held for conservation in general and developed the guidance in paragraph AG20.

~~Subsequent~~Current Value Measurement

BC39-BC45. As noted in paragraph BC23, the IPSASB noted that tangible natural resources which are held for financial capacity are typically within the scope of other Standards such as IPSAS 12, IPSAS 44, and IPSAS 45. ~~The IPSASB decided that, whereas~~ tangible natural resources ~~within the scope of this [draft] Standard that are~~ held for conservation are ~~not only~~ held for their ~~financial~~operational capacity. Therefore, ~~the IPSASB decided that if an entity elects to subsequently measure~~ tangible natural ~~resources~~resource held for conservation is to be measured at current value, a current operational value measurement basis should be used.

Amendments to Other IPSAS (Appendix B)

BC40-BC46. Based on the [proposed] guidance in this [draft] Standard, the IPSASB decided to amend certain presentation requirements in IPSAS 1, *Presentation of Financial Statements*, the scope of IPSAS 12, IPSAS 16, IPSAS 27, and IPSAS 45, as well as certain exemptions in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*. These amendments relate to the presentation of tangible natural resources held for conservation as a separate line item in the statement of financial position, excluding tangible natural resources held for conservation within the scope of this [draft] Standard from the scope of IPSAS 12, IPSAS 16, IPSAS 27, and IPSAS 45, and exemptions regarding the recognition and measurement of tangible natural resources held for conservation in an entity's transitional IPSAS financial statements.

Implementation Guidance and Illustrative Examples

BC41-BC47. The IPSASB decided to add implementation guidance and illustrative examples to [draft] IPSAS [X] for topics that are complex and potentially difficult to apply in practice, are an area of concern for constituents, or would benefit from additional non-authoritative guidance.

Implementation Guidance

This implementation guidance accompanies, but is not part of, IPSAS [XX].

Section A: Scope

A.1 Determination of Whether ~~a Tangible Natural Resource~~an Item Falls Within the Scope of [Draft] IPSAS [X] or Another IPSAS (Paragraphs 3-6 ~~and~~ AG1-AG5)

When ~~might items meeting the definition of~~is a tangible natural resource ~~be accounted for under~~within the scope of [draft] IPSAS [X], and ~~when might they be accounted for under another IPSA~~show is conservation ~~different from the uses of tangible assets within the scope of other IPSAS?~~

~~IG1. [Draft] IPSAS [X] defines a tangible natural resource held for conservation as a naturally occurring tangible asset that is managed to prevent its degradation, and an item which embodies service potential, the capability to generate economic benefits, or both. Once an entity has concluded that an item meets this definition, the entity will need to assess if the tangible natural resource is accounted for within the scope of the [draft] IPSAS [X] or another IPSAS.~~

~~IG2.IG1. Standard. The determination of which IPSAS Standard is applicable ~~is driven by~~based on the entity's primary intended purpose for holding the item. This is consistent with the scoping assessment ~~of the entity's intended reason for holding an asset is the same as the scoping assessment that is done for in~~ all other IPSAS Standards on tangible assets.~~

~~IG3.IG2. Conservation is distinct from the uses of tangible assets within the scope of other IPSAS, as these other Standards typically address the immediate or near-term use of an asset to provide service potential or economic benefits to the entity. In addition, these other uses often lead to the consumption of an asset, whereas conservation usually involves avoiding or limiting the use of a resource in a way which leads to their consumption.~~

~~IG4. There may be situations where clear legislation is in place to conserve a tangible natural resource by restricting its use. In accordance with the scoping requirements of [Draft] IPSAS [X], only items which meet the definition ofIn other situations, it may not be clear whether a tangible natural resource ~~and do not fall within the scope of the Standards noted in paragraphs are within the scope of [draft] IPSAS [X].~~~~

~~IG5. The following scenarios illustrate this assessment:~~

~~(a) If is held primarily for conservation purposes, and an entity concludes that it could recognize the water held in a controlled environment as an asset and intends to sell this water, the asset is accounted as inventory within the scope of IPSAS 12, Inventories. This is because materials or supplies to be consumed in the production process or in the rendering of services or items held for distribution in the ordinary course of operations or in the process of production for sale or distribution, meet the definition of inventories in IPSAS 12, regardless of whether or not they are naturally occurring;~~

~~(b) An entity controlling a population of trees could manage their biological transformation with the intention of harvesting and selling the mature trees as lumber. In this scenario, the trees are considered biological assets within the scope of IPSAS 27, Agriculture. In some situations, an entity may decide to sell only a specific portion of the trees as lumber and use the remainder for other purposes. In this case, the entity will need to assessis required to exercise judgement to determine whether the population consists of multiple units of account and apply the scoping requirements to each unit. See paragraphs ~~and Implementation Guidance C.3 for additional information regarding the unit of account;~~~~

~~(c) A public sector entity could control a forest and enact legislation to restrict access to the area and prohibits the use of resources from the forest. The intention of the legislation is to conserve the forest by minimizing the impact of human activity on fauna and flora in the area. As a result of the legislation, the resource's primary intended purpose of holding the forest is not to be used as an item within the scope of IPSAS 45, Property, Plant, and Equipment, not to be sold as inventory or agricultural products, and not to be managed to earn rental income or for capital appreciation. The entity concludes that this forest is a tangible natural resource within the scope of [draft] IPSAS [X] by applying the requirements in paragraphs –; and~~

~~IG6-IG3. use. For example, an entity may have the intention to conserve a tangible natural resource without any legislation in place to restrict access to the resource or its use. In these situations, the tangible natural resources may be primarily held for conservation purposes but could also be used to provide ancillary services. For example, a forested area that is primarily held for conservation may also be used as a park for the benefit of visitors on a limited basis. To determine whether to apply [draft] IPSAS [X] or another IPSAS, the entity would need to exercise judgment to determine whether the tangible natural resource is held primarily for conservation. See Implementation Guidance C.4 on conservation for more details. If a specific region of the forested area is set aside for use by visitors, the entity should assess whether there are multiple units of account. See paragraphs – and Implementation Guidance C.3 on unit of account for more details.~~

~~IG7-IG4. Without clear legislation, it may be necessary to analyze the details of the relevant conservation program to determine whether a tangible natural resource is held primarily for conservation. Some factors to consider include:~~

- ~~(a) The intended purpose of the conservation program: The specification to protect a particular resource, such as a particular species or group of species, is a strong indicator that the tangible natural resource is held for conservation. In contrast, programs which are more concerned with enhancing or promoting the use of a resource, such as the maintenance of green spaces to attract more visitors, may indicate that conservation is not the primary objective;~~
- ~~(b) The nature and intent of program activities: Conservation activities will vary depending on the facts and circumstances for each resource. For some mature tangible natural resources, a conservation program may simply focus on limiting the impact of human activities on the resource. In other situations, an entity may need to perform activities such providing feed or treatment for diseases to actively prevent the degradation of a resource. Regardless of the specific activities, those which are performed to maintain the state of a tangible natural resource are indicative of conservation; and~~
- ~~(c) The existence of a significant profit element: Some tangible natural resources held for conservation may be used to earn ancillary revenues to partially recover the costs of maintaining the resource. However, in some situations, a tangible natural resource may be managed to earn a profit. A program which primarily focuses on the generation of revenues or profits may indicate that the tangible natural resource is not primarily held for conservation.~~

Section B: Definitions

B.1 Identification of Natural Resources (Paragraphs 7 and AG9)

Does an entity applying [draft] IPSAS [X] need to consider whether all tangible naturally occurring items within its jurisdiction are tangible natural resources within the scope of this [draft] IPSAS held for conservation?

~~IG8-IG5. No. To meet the definition of a tangible natural resource held for conservation in paragraph 7 No. of [draft] IPSAS [X], a naturally occurring item must be a tangible asset and be subjected to conservation activities. It is unlikely that all tangible naturally occurring items within a jurisdiction would meet the definition of an asset~~

~~recognition criteria~~, as they are unlikely to be resources if they are not actively managed. ~~To meet the definition of a tangible natural resource in paragraph of [draft] IPSAS [X], a naturally occurring item must embody service potential, the capability to generate economic benefits, or both~~conserved. As explained in paragraph AG9 of [draft] IPSAS [X], this criterion is typically satisfied when an entity has a plan demonstrating how the naturally occurring item can provide service potential or generate economic benefits, the entity's ability and intent to carry out the plan, and whether the entity will obtain the resources necessary to carry out this plan. Therefore, one acceptable approach to ensure that the analysis of potential tangible natural resources held for conservation is complete is to consider programs relating to the conservation of naturally occurring items. By focusing on such programs, an entity is not required to individually analyze each naturally occurring item within its jurisdiction.

Section C: Recognition

C.1 Determination of Control (Paragraphs AG14-AG16)

What key considerations should an entity consider when assessing whether they control certain types of tangible natural resources held for conservation such as water and living resources?

~~IG9-IG6.~~ In general, the control of a tangible natural resource held for conservation can be assessed based on the indicators listed in paragraph AG15 of [draft] IPSAS [X]. Sometimes, a tangible natural resource held for conservation may consist of multiple units of account due to the different ~~nature~~characteristics and risks associated with the specific parts of the resource, ~~as well as the objectives for which an entity holds the resource~~. In such cases, the assessment of control is performed separately for each unit of account.

~~IG10.~~ ~~Some entities may have the objective of conserving a tangible natural resource, and this is accomplished by prohibiting or restricting the use of the resource rather than using it in a manner like how other tangible assets are conventionally used. Implementation Guidance C.4 provides more information on how conservation can provide service potential to an entity.~~

~~IG11-IG7.~~ For a tangible natural resource held for conservation, the indicators of control are often directly impacted by the nature of the resource, as well as laws and regulations that are specific to the resource. The following discussion highlights some of the more prevalent factors that should be considered when assessing control over water and living resources held for conservation:

Water

~~IG12-IG8.~~ Generally, the physical movement of free-flowing water such as oceans, seas, lakes, and rivers cannot feasibly be controlled. Therefore, it is unlikely that an entity is able to demonstrate control over these bodies of water.

~~IG13-IG9.~~ Water that is physically housed in a managed environment could potentially be controlled. For example, some underground aquifers located in a jurisdiction can act as naturally occurring reservoirs holding ground water. An entity could demonstrate control over the water in such aquifers when:

- (a) The entity has legal ownership of the aquifer and its contents in accordance with the applicable laws and regulations, and such legal ownership confers enforceable rights to the service potential embodied in the water;
- (b) The entity has the means to manage the volume of water actively to ensure that it is available for meeting the entity's conservation objectives. This is typically achieved by having an appropriate structure to house the water and control its flow; and

- (c) The entity can restrict others from accessing the water. Such restrictions can consist of physical barriers such as fences, legislative mechanisms which legally prohibit other parties from access, the use of security personnel to prevent unauthorized access to the water, or a combination of the above.

Living Resources

~~IG14.~~~~IG10.~~ Depending on the applicable laws and regulations, a public sector entity may have legal ownership of the living resources located within its jurisdiction, and such legal ownership could lead to an enforceable right to the service potential embodied in the resources. However, this assessment is not always straightforward. An entity may have difficulties demonstrating control over living resources that can move about, such as fish and animals, without some means to limit their movement to an area that is controlled by the entity. For example, even with physical barriers in place, it may not be feasible to effectively control the movements of certain animals. Since these animals can freely roam out of the areas controlled by an entity into neighboring jurisdictions, it would be difficult for any entity to assert control. In contrast, it is generally easier to demonstrate control over plants, as these resources cannot relocate on their own.

~~IG15.~~~~IG11.~~ Control over living resources also requires the ability to prevent others from accessing the resource. Like water, restricting access to living resources can be implemented through physical means such as barriers and fences, legislation prohibiting the use of the living resource, using security personnel to guard the living resources, or a combination of the above.

~~IG16.~~~~IG12.~~ An entity's ability to direct the use or disposal ~~conservation~~ of a living resource in a manner it sees fit is a strong indicator of control. In the most extreme case, the unfettered ability to sell a living resource held for conservation for cash or other resources would be a strong indicator of control over the resource. Similarly, the ability to freely harvest ~~change the primary intended use of~~ a living resource held for conservation (e.g., from conservation to one's own use or for sale) is another strong indicator of control. However, in these scenarios, an entity should carefully consider whether these living resources are within the scope of [draft] IPSAS [X], as items that are used in production or held for sale are likely considered inventory within the scope of IPSAS 12 or biological assets within the scope of IPSAS 27.

C.2 Difficulties in the Recognition of Subsoil Resources (Paragraph AG12)

Is the existence of a program to extract or conserve mineral deposits sufficient to recognize the unextracted minerals as assets in the financial statements under this [draft] Standard or another IPSAS?

~~IG17.~~~~IG13.~~ Generally, no. As noted in paragraph AG12, for some naturally occurring items, there will be uncertainty over the existence, quantity, and quality of the item until it is extracted, and this uncertainty impacts whether the item can be considered a resource. Because subsoil items such as minerals or petroleum deposits are usually located deep underground, an entity is unlikely to be able to establish the existence, quantities, and quality of these items with a degree of certainty needed for recognition prior to their extraction. Even if an entity has obtained detailed geological studies to estimate the deposits, or if the entity has established a program to issue exploration and mining licenses, there is typically a high degree of uncertainty and variability which impedes the entity's ability to recognize the unextracted deposits as assets.

~~C.3 Unit of Account (Paragraphs—)~~

~~How should the unit of account for a tangible natural resource be determined?~~

~~IG18.— Paragraph of [draft] IPSAS [X] requires an entity to consider whether a tangible natural resource should be disaggregated into separate units of account or whether individual tangible natural resources should be aggregated into one unit of account. In addition, paragraphs— provide guidance on the factors to consider when determining the appropriate unit of account. Once an entity has determined the appropriate unit of~~

~~account for a tangible natural resource, the scoping, recognition, and measurement requirements are applied separately to each unit of account.~~

~~IG19. While the physical characteristics of a tangible natural resource may have some impact on the appropriate determination of a unit of account, the key determining factor is typically the entity's intended reason for holding the resource. As noted in paragraph , components of the same tangible natural resource that are held for different reasons and managed separately are typically separate units of account. In contrast, it may be appropriate for physically distinct items which are held for the same reasons and managed together to be grouped into one unit of account.~~

~~IG20. The determination of the appropriate unit of account requires the application of judgment and depends on the facts and circumstances specific to each tangible natural resource. In some cases, a tangible natural resource may consist of multiple units of account that are each accounted for within different Standards. In other cases, some units of account may meet the asset recognition criteria while others remain unrecognized. Because of these significantly different potential outcomes, the determination of the appropriate unit of account is critical when accounting for tangible natural resources.~~

~~C.4 Conservation (Paragraphs and)~~

~~How is conservation different from the uses of tangible assets within the scope of other IPSAS?~~

~~IG21. Paragraph of [draft] IPSAS [X] describes conservation as the act of managing and protecting a tangible natural resource from degradation. While this description does not prescribe the reasons for conservation, tangible natural resources are often conserved for the benefit of future generations. Typically, an item held for conservation will not directly provide economic benefits to the entity but could nevertheless meet the asset recognition criteria. This is because in the public sector, assets are often held for their service potential rather than their capability to generate cash flows. Therefore, if a public sector entity has the objective of conserving a tangible natural resource for the public or its citizens, the act of conservation is achieving this objective.~~

~~IG22. C.3An entity is required to exercise judgement to determine whether a tangible natural resource is held for conservation. As noted in Implementation Guidance A.1, In other situations, a tangible natural resource could be held for conservation and also be used to provide ancillary services.~~

~~C.5 Subsequent Expenditures Incurred to Conserve a Tangible Natural Resource (Paragraphs 9, AG13, and AG18-AG20)~~

How should an entity account for subsequent expenditures incurred to conserve a tangible natural resource?

~~IG23:IG14.~~ The recognition principle in paragraph 9 of [draft] IPSAS [X] is applicable to the expenditures incurred for the conservation activities of tangible natural resources. The resulting accounting is consistent with the accounting for subsequent expenditures relating to property, plant, and equipment in IPSAS 45 because:

- (a) Expenditures which are incurred to maintain the current state of a tangible natural resource held for conservation are similar to maintenance expenses for property, plant, and equipment. These expenditures are therefore recognized as expenses in surplus or deficit as incurred; and
- (b) In contrast, expenditures that result in incremental service potential are recognized as an asset based on the recognition principle in paragraph 8. Depending on the nature of the expenditure, it and the appropriate unit of account, these expenditures could result in an increase in the carrying amount of the recognized tangible natural resource held for conservation, similar to additions in IPSAS 45, or in the recognition of a separate asset. For example, an entity may incur costs to treat the soil in a forest held for conservation to significantly improve its growth. As this treatment leads to incremental increases in service potential, the costs incurred may be capitalized as an asset, regardless of whether the underlying forest was recognized.

C.64 Change in Primary Use (Paragraphs 44-45)

How would an entity account for land that is subject to “rewilding”?

~~IG24-IG15.~~ “Rewilding” is the act of limiting human influence in an area with the aim of restoring the naturally occurring processes and biodiversity in that environment. In general, a change in an entity’s primary intended reason for holding a tangible natural resource may lead to a change in which IPSAS is applicable to the resource. See paragraphs 44-45 on Reclassification for details. In the context of rewilding land for the purpose of conservation, such a change may occur when there is evidence that an entity has ceased to use the land as an investment property or property, plant, and equipment. A change in use may be evidenced by events such as ending the occupation or use of the land, termination of a lease of the property to another party, or the removal of structures on the land. The assessment of whether a change in use has occurred is similar to the assessment of transfers of property, plant, and equipment to or from investment property, as described in paragraph 66 of IPSAS 16.

~~IG16.~~ Consistent with transfers of property, plant, and equipment to or from investment property, the net carrying amount of the land then becomes the carrying amount of the tangible natural resource held for conservation within the scope of [draft] IPSAS [X] upon the change in use. ~~In some cases~~

~~IG25-IG17.~~ Conversely, an entity ~~may begin to could change the primary intended~~ use of a tangible natural resource ~~in that was previously held for conservation to a manner use~~ which places it within the scope of another IPSAS, such as inventory within the scope of IPSAS 12 or a biological asset within the scope of IPSAS 27. In these situations, the entity applies the guidance on reclassification in paragraphs 44-45 of [draft] IPSAS [X].

~~IG26-IG18.~~ The entity should also consider if the change in use meets one of the indicators of impairment in IPSAS 21, *Impairment of Non-Cash-Generating Assets*, or IPSAS 26, *Impairment of Cash-Generating Assets*.

Section D: Measurement

D.1 Determination of Current Operational Value (Paragraphs 13, 23-27 and AG27-AG32)

How would an entity determine the current operational value for a tangible natural resource ~~within the scope of [draft] IPSAS [X]? held for conservation?~~

~~IG27-IG19.~~ In general, current operational value (COV) can be measured using a market approach or a cost approach. The use of a market approach does not necessarily result in a fair value measurement, as market prices can be used to estimate an asset’s entry price.

~~IG28-IG20.~~ For tangible natural resources held for conservation, which are held their operational capacity, an active market with transactions involving an identical asset may not be available. However, an entity could still apply the market approach by using the price from an orderly transaction involving a similar asset. For example, an entity holding a forest for conservation may estimate its COV using an appraisal value of a similar land and adjusting the value for specific differences in characteristics that may impact its service potential, such as differences in the size of the forested area or restrictions in how the forested area can be used.

~~IG29-IG21.~~ If an active market for similar assets does not exist, an entity could also estimate COV using a cost approach by estimating the cost of developing a similar asset. Continuing with the forest example, the entity could estimate the forest’s COV by accumulating the estimated costs of acquiring, planting, and growing saplings into mature trees, as well as the value of the land if it is not a separate unit of account.

D.2 Inability to Reliably Measure Current Value (Paragraph 10)

When may an entity conclude that the current value of a tangible natural resource held for conservation cannot be reliably measured?

~~IG30.~~IG22. The use of estimates is an essential part of the accrual basis of accounting, and there will often be uncertainty associated with the measurement of a tangible natural resource held for conservation. In some situations, the level of uncertainty in an estimate is so large that the relevance and faithful representativeness of a measure is questionable, even if disclosures are provided to explain the estimation techniques applied by the entity. Under these circumstances, the current value of the tangible natural resource held for conservation cannot be reliably measured.

~~IG31.~~IG23. The following factors may indicate that a tangible natural resource held for conservation cannot be reliably measured:

- (a) There is a significantly wide range of values that could be reasonable;
- (b) There is no reasonable way to assess the probabilities of various estimates; or
- (c) There is no reasonable methodology or observable inputs available to measure the resource.

Section E: Display and Disclosure

E.1 Grouping of Disclosures (Paragraphs 47-67 and AG42-AG45)

Do IPSAS require an entity to provide all the disclosures that relate ~~to items which meet the definition of a tangible natural resource in one note, even when they are~~ held for conservation and other tangible natural resources within the scope of other IPSAS in one note?

~~IG32.~~IG24. IPSAS generally neither require nor prohibit an entity from grouping the disclosures of tangible natural resources within the scope of this and other IPSAS into a single note. If an entity decides to group the disclosures, it needs to ensure that this grouping does not obscure the information presented. This is typically accomplished by reconciling the information disclosed in the note with the amounts that are included in the various financial statement captions which contain tangible natural resources.

~~IG33.~~IG25. ~~IG31.~~ The decision to group the disclosures of tangible natural resources together will depend on the entity's judgement on whether this results in more useful information for users of the financial statements compared to the potential costs of reorganizing the notes. When making this decision, the entity should consider the aggregation and disaggregation principles in IPSAS 1, *Presentation of Financial Statements*, as well as the requirements in IPSAS 18, *Segment Reporting*.

E.2 Disclosure of Stewardship Arrangements (Paragraphs 50 and 67)

What information regarding stewardship arrangements is required to be disclosed?

IG26. A public sector entity may enter into stewardship arrangements which confer certain rights and obligations related to a tangible natural resource held for conservation. Regardless of whether the related tangible natural resource held for conservation is recognized as an asset, the entity will need to consider the potential accounting and disclosure implications from the rights and obligations in its stewardship arrangements.

IG27. For example, certain treaties or legislation may grant rights to indigenous peoples to maintain and strengthen their relationship with resources that they have traditionally owned, or delegate conservation activities to a third party. Other arrangements may impose obligations or responsibilities, such as restrictions on the use of certain tangible natural resources held for conservation without the free, prior, and informed consent from indigenous peoples. These rights and obligations are required to be disclosed if their impact is material to the financial statements.

IG28. Some stewardship arrangements may also result in the recognition of an asset or liability that are outside the scope of this [draft] Standard. For example, some arrangements may result in the recognition of an asset within the scope of IPSAS 31, *Intangible Assets*, even if the related tangible natural resource held for conservation is not recognized. Other arrangements may result in the recognition or disclosure of an obligation as required by IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

Illustrative Examples

These illustrative examples accompany, but are not part of, IPSAS [XX].

Introduction

IE1. These examples portray hypothetical situations illustrating how an entity might apply the requirements in [draft] IPSAS [X], *Tangible Natural Resources Held for Conservation*, to particular natural resources on the basis of the limited facts presented. The analysis in each example is not intended to represent the only manner in which the requirements could be applied, nor are the examples intended to apply only to the specific sector illustrated. Although some aspects of the examples may be presented in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying [draft] IPSAS [X].

Scope

IE2. Examples 1-2 illustrate the application of paragraphs 3-6 of [draft] IPSAS [X] on the scope of the [draft] Standard.

Example 1: Accounting for Physically Similar Assets that Have Different Uses

IE3. A public sector entity controls two regions of forested land in its jurisdiction, Region A and Region B. Both regions have similar physical characteristics and were initially uncultivated forests containing the same species of flora and fauna. There is no legislation that explicitly dictates how Regions A and B are to be used, but the regions are managed in accordance with different programs that have been created by the entity.

IE4. In accordance with the entity's program, Region A is opened to visitors. Parts of Region A have been landscaped or cleared to create hiking paths and campgrounds within the area, and some of the vegetation in the region has also been replaced with species that are deemed to have higher aesthetic value or are safer for visitors. Visitors can pay a nominal fee to reserve a specific campground, but they can enter and use the campgrounds for free without a reservation. In addition, the entity has hired a team of security personnel to manage the campground operations.

IE5. In contrast, the entity has announced to the public that Region B is a reserve and constructed fencing to limit human access to the area. Unlike Region A, the flora and fauna in Region B have been left in their natural state. While the entity has also hired a team of security personnel to patrol Region B, this security team has been instructed to deter individuals from trespassing into the region.

IE6. Based on the facts presented in paragraphs IE3-IE5, the entity concludes that Region A and Region B are held for different ~~reasons and primary~~ intended uses despite the fact that both regions initially had similar physical characteristics. The entity notes that Region A is used to provide services as the area is open for use by the public for camping and hiking, and this use is consistent with definition of property, plant, and equipment—i.e., Region A is a tangible asset that is used in the production or supply of goods or services and is expected to be used during more than one reporting period. This assessment is not impacted by the fact that these services are provided to the public for free. As a result, the entity concludes that Region A is within the scope of IPSAS 45, *Property, Plant and Equipment*.

IE7. The entity also observes that, regardless of whether the restrictions on the access and use of Region B are self-imposed, the facts and circumstance support the conclusion that the primary reason for holding the asset is for conservation ~~rather than a use that would place it within the scope of IPSAS 12, Inventories, IPSAS 16, Investment Property, IPSAS 27, Agriculture, or IPSAS 45.~~ As a result, the entity concludes that Region B is within the scope of [draft] IPSAS [X].

Example 2: Costs to Develop Use of Natural Spaces as Infrastructure

- IE8. A government entity has a “Rain Garden Program” in place to develop natural spaces in urban areas. These “rain gardens” are naturally occurring green spaces ~~consisting of which have been augmented with~~ planted trees and other vegetation ~~which to~~ help reduce the risk of flooding in the area and are considered more desirable than traditional constructed infrastructure such as dikes and reservoirs.
- IE9. Because these rain gardens accomplish the same objectives as constructed infrastructure, the government entity concludes that they are considered property, plant, and equipment within the scope of IPSAS 45. This assessment is separate from the consideration of whether the land on which the rain garden is located is an asset.
- IE10. In some jurisdictions, the developed natural spaces such as the rain gardens in this example may be referred to as “modified natural assets”, “enhanced natural assets”, or “green infrastructure”. Regardless, the assessment of which IPSAS to apply is based on the entity’s primary intended use of the item.

Measurement

- IE11. Example 3 illustrates the determination of the current operational value of a tangible natural resource held for conservation when its current value is required by paragraphs 11, 23 and AG27 of [draft] IPSAS [X].

Example 3: Determination of Current Operational Value

- IE12. A government entity obtains control of a 5,000-hectare plot of woodlands in its jurisdiction through a non-exchange transaction and has designated the forest and the land on which it is located as a ‘Conservation Area’ that is held primarily for conservation. As the conservation of the woodlands results in meeting the entity’s social and environmental objectives, the entity has concluded that the Conservation Area meets the definition of an asset. As the asset was obtained in a non-exchange transaction, it is initially measured at deemed cost (current operational value (COV) in the context of tangible natural resources held for conservation), as required by paragraph 13 of [draft] IPSAS [X].

Case A – Valuation Performed by an External Valuation Specialist Using the Market Approach

- IE13. To measure the COV of the Conservation Area, the entity engaged a valuation specialist who conducted a valuation in accordance with an internationally recognized valuation framework that is commonly used for property valuation.
- IE14. The valuation specialist used data from historical sales of forests held specifically for conservation, adjusted for the following factors:
- (a) Differences in the location and size of the comparable forests;
 - (b) Differences in the species within the conservation area and the comparable forests;
 - (c) Average age of plantation; and
 - (d) Comparison with the value of physically similar forests that are held for the production of timber.

Based on the above valuation approach, the specialist estimated a COV of CU28 million on the date when the entity obtained control of the Conservation Area.

- IE15. The entity considers the disclosure requirements for current value measurement in paragraphs 56-63 of [draft] IPSAS [X]. In addition, depending on the materiality of the Conservation Area, the valuation could be a key source of estimation uncertainty due to issues such as limited or inconsistent historical sales data or the subjectivity inherent in the adjustments noted in paragraph IE14. As a result, the entity also considers the disclosure requirements in paragraphs 140-148 of IPSAS 1, *Presentation of Financial Statements*.

Case B – Estimation of COV Based on the Cost to Develop a Similar Asset

IE16. Alternatively, the entity can estimate the Conservation Area's COV based on the cost to develop a similar forest. While it may be counterintuitive to estimate the cost to develop a tangible natural resource held for conservation, IPSAS 46, *Measurement*, allows the use of the cost to develop a *similar* asset. Therefore, an estimate of COV based on the cost to develop a physically similar forest as the Conservation Area is acceptable.

IE17. Based on this approach, the entity noted that it will take approximately 20 years to grow a forest comparable to the one in the Conservation Area. In addition, the entity estimated forestation costs of CU4,000 per hectare based on the costs for site preparation, the acquisition cost of seedlings of flora to be planted, and the present value of the labor and material costs to plant and maintain the trees during their 20-year growth period. In addition, the entity estimated that the cost of a plot of land with similar physical characteristics is approximately CU1,500 per hectare. Based on these estimates of the costs per hectare, the entity estimated a COV of approximately CU27.5 million.

IE18. As noted in paragraph IE15, as the above estimation of the COV could be a key source of estimation uncertainty, the entity will need to consider the disclosure requirements in paragraphs 140-148 of IPSAS 1 in addition to the disclosure requirements for current value measurement in paragraphs 56-63 of [draft] IPSAS [X].

Disclosure of Unrecognized Tangible Natural Resources Held for Conservation

IE11-IE19. Example 34 illustrates the application of paragraphs 11 and 64 of [draft] IPSAS [X] on the disclosure of a tangible natural resource held for conservation which meets the definition of an asset but is not recognized as it cannot be reliably measured.

Example 34: Unused Publicly Owned Land

IE12-IE20. A public sector entity obtains control of a plot of land in an uninhabited area through the exercise of its sovereign powers. Due to its remote location, ~~the entity concludes that it will not use of the land as property, plant, and equipment, hold it as an investment property for capital appreciation, or sell the land in the ordinary course of operations as inventory. However~~ the characteristics of its flora and fauna, the entity plans to conserve the habitats in the area and concludes that the land and its habitats (collectively, the reserve) meets the definition of an asset: a tangible natural resource held for conservation. Based on these facts, the entity concludes that the plot of land reserve is within the scope of [draft] IPSAS [X] and should be initially measured at its deemed cost (current value) in accordance with paragraph 13.

IE13-IE21. To determine the current value of the land reserve, the entity retained a number of valuation specialists to assist in the estimation process. Due to the remote location of the land and the difficulties in valuing its flora and fauna, the entity and the valuation specialists agreed that there is no reasonable basis on which to measure the land's reserve's current value.

IE14-IE22. As a result, the entity concludes that the plot of land reserve is an asset that cannot be reliably measured. Therefore, the entity applies the disclosure requirements in paragraph 64 of [draft] IPSAS [X] and discloses:

- (a) The location and physical characteristics of the land reserve;
- (b) An explanation of the difficulties in obtaining a reliable measurement of the land's reserve's current value; and
- (c) The significance of the land reserve in relation to the delivery of the entity's objectives.

IE15-IE23. If the land was not held for conservation, and it was not possible to use it as property, plant and equipment, investment property, or inventory, the entity would likely conclude that the land is not a resource, as it does

not embody service potential or the capability to generate economic benefits. If that is the case, the land would not meet the definition of an asset and the disclosures in paragraph 64 would not be applicable.

Transition

~~IE16-IE24~~. Example 4 illustrates the potential similarities and differences resulting from the application of [draft] IPSAS [X] using the modified retrospective transition approach and the full retrospective approach.

Example 45: Differences Between the Modified Retrospective and Full Retrospective Transition Methods

(Note: To isolate the impact of the transactional provisions, this example assumes that other than the events or transactions specified below, there are no other transactions within the entity.)

~~IE17-IE25~~. A central government entity with a December 31 year-end applies [draft] IPSAS [X] in year 20X4. The entity has elected to use the historical cost model and concluded that the tangible natural resource held for conservation in question has an indefinite useful life. i.e., it should not be depreciated.

~~IE18-IE26~~. When the country's constitution was established many years ago, the entity obtained control over a significant tangible natural resource held for conservation in its jurisdiction (Resource A). At the time, Resource A's current value was CU50 million. However, the entity did not consider recognition of an asset, as their accounting framework at the time did not have explicit guidance on the recognition of tangible natural resources held for conservation.

Case A – The Central Government Continues to Control the Resource on the Date of Initial Application

~~IE19-IE27~~. Since 20X2, the current value of Resource A has increased to CU70 million. The entity has continued to control Resource A throughout 20X2 to 20X4.

~~IE20-IE28~~. The entity considered the transitional requirements in paragraph 70 of [draft] IPSAS [X] and noted the following.

Modified Retrospective Approach (Paragraph 70(a))

~~IE21-IE29~~. Applying the guidance in paragraph 71, the date of initial application for the modified retrospective approach is January 1, 20X4. The modified retrospective approach requires the recognition of any tangible natural resources held for conservation that are controlled by an entity on the date of initial application at their current value. The cumulative effect of initially applying [draft] IPSAS [X] is recognized as an adjustment to opening accumulated surpluses or deficits.

~~IE22-IE30~~. As a result, the entity recognizes Resource A as an asset at CU70 million on January 1, 20X4 and adjusts its opening accumulated surpluses or deficits by CU70 million.

Retrospective Application in Accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors (Paragraph 70(b))

~~IE23-IE31~~. If the entity applies [draft] IPSAS [X] in accordance with IPSAS 3, it would be required to consider the initial recognition of Resource A at the time control was obtained. This approach would result in the following:

- (a) Resource A would be recognized as an asset of CU50 million upon the establishment of the country's constitution; and
- (b) Because the entity elected to subsequently measure tangible natural resources using the historical cost model, on the date of initial application, Resource A would not be adjusted to CU70 million. The recognized asset and the opening accumulated surpluses or deficits would remain at CU50 million.

Case B - Resource was Sold Prior to the Date of Initial Application

~~IE24-IE32~~. In this case, the example facts outlined in paragraphs IE25-IE26 continue to be applicable. However, during 20X2, the entity classified Resource A as an asset held for sale and sold it for cash consideration of CU70 million. As the resource was previously unrecognized, there ~~were~~was no carrying amount to offset the consideration received, and the sale resulted in a gain of CU70 million.

~~IE25-IE33~~. Prior to the application of [draft] IPSAS [X], the entity's statement of financial position as at the December 31, 20X2 would have consisted of cash and accumulated surpluses or deficits of CU70 million.

~~IE26-IE34~~. The entity considered the transitional requirements in paragraph 70 of [draft] IPSAS [X].

Modified Retrospective Approach (Paragraph 70(a))

~~IE27-IE35~~. The modified retrospective approach does not require the reconsideration of any tangible natural resources held for conservation that were no longer controlled on the date of initial application (January 1, 20X4). As a result, the entity does not need to make any adjustments to its opening statement of financial position.

Retrospective Application in Accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors (Paragraph 70(b))

~~IE28-IE36~~. If the entity applies [draft] IPSAS [X] in accordance with IPSAS 3, it would be required to consider the initial recognition of Resource A at the time control was obtained and its subsequent sale in year 20X2. This approach would result in the following:

- (a) Resource A would have been recognized as an asset valued at CU50 million back when the country's constitution was established. Since the 20X4 financial statements only include comparative information for the 20X3 year, this CU50 million adjustment will only be reflected in the 20X3 opening accumulated surpluses or deficits;
- (b) In year 20X2, the sale of Resource A would have resulted in a gain of only CU20 million (CU70 million cash consideration less Resource A's carrying amount of CU50 million). Since the entity is only presenting comparative information for the 20X3 year, this CU20 million gain will only be reflected in the opening accumulated surpluses or deficits in the 20X3 financial statements; and
- (c) Although the gain in year 20X2 is different from the gain recognized before the application of [draft] IPSAS [X], it should be noted that the accumulated surpluses or deficits on January 1, 20X3 continue ~~to the~~ CU70 million (consisting of CU50 million from the initial recognition of Resource A and the gain of CU20 million from the sale of the resource).

COMPARISON WITH GFSM (2014)

[Note to IPSASB: This section has not yet been updated. Revisions will be subject to the Decisions and Instructions from the project on Strengthening Linkages Between IPSAS Standards and GFSM. (See Agenda Item 9.)]

In developing IPSAS [XX], *Tangible Natural Resources*, the IPSASB considered Government Finance Statistics (GFSM 2014) reporting guidelines.

Key similarities and differences with GFSM 2014 are as follows:

- The similarities and differences between the accounting under [draft] IPSAS [X] (ED 92) and GFS will depend on the facts and circumstances of the tangible natural resource.
- [Draft] IPSAS [X] (ED 92) only provides guidance on tangible natural resources, while GFS provides guidance on broader types of natural resources.
- Under [draft] IPSAS [X] (ED 92), the recognition of a tangible natural resource as an asset is based on control. Under GFS, the recognition of assets is based on economic ownership.
- [Draft] IPSAS [X] (ED 92) initially measures tangible natural resources at deemed cost or cost depending on whether recognition resulted from a transaction in an orderly market. Under GFS, natural resources are measured at market prices.
- After initial recognition, [draft] IPSAS [X] (ED 92) provides entities with an accounting policy option to measure tangible natural resources at historical cost or at current values. Under GFS, naturally occurring resources are subsequently measured at market prices. This measurement approach may align with current values under IPSAS in some circumstances.
- [Draft] IPSAS [X] (ED 92) includes disclosure requirements that are not present in GFS memorandum items.

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