



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

28 February 2025

Mr Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Mr Smith

EXPOSURE DRAFT (ED) 92, *TANGIBLE NATURAL RESOURCES*

The Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft 92, *Tangible Natural Resources* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Executive Director of Sustainability, Digital Economy, and Reporting at +603 2722 9277 or by email at rasmimi@mia.org.my.

Yours sincerely.

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR WAN AHMAD RUDIRMAN WAN RAZAK
Chief Executive Officer

Specific Matter for Comment 1: Scope (paragraphs 3-5):

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS. (See paragraphs 3-4, BC8, and BC34.) Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

As a result of the proposed scope, tangible natural resources held for conservation are one common example of items which could fall within the scope of this Exposure Draft. What other items would you anticipate being accounted for through this Exposure Draft?

This Exposure Draft includes an [Alternative View](#) regarding its scope and the definition of tangible natural resources.

We agree with the proposed scope of the Exposure Draft (ED).

We observe that the word 'primarily' is used in paragraphs AG 5 and AG 6 in the ED as extracted below.

AG5 Tangible natural resources 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 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. The conservation of the tangible natural resource would achieve this objective.

AG6 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 an asset within the scope of this [draft] Standard.

Accordingly, we propose that the IPSASB include the word 'primarily' in items (a) to (d) of paragraph 3 of the ED as indicated below.

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 as defined in this [draft] Standard, except where:

- (a) The resource is **primarily** held for use 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;
- (b) The resource **primarily** 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;
- (c) The resource is **primarily** held to earn rentals or capital appreciation, or both, which is consistent with an investment property within the scope of IPSAS 16, Investment Property; or

- (d) The resource is a biological asset whose biological transformation is primarily managed for sale, distribution, or conversion into agricultural produce. Such a resource would be a biological asset within the scope of IPSAS 27, Agriculture.

Specific Matter for Comment 2: Definitions (paragraph 6):

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.

Do you agree with the proposed definitions? If not, why not?

This Exposure Draft includes an [Alternative View](#) regarding its scope and the definition of tangible natural resources.

We agree with the proposed definitions.

Paragraph AG8 states that “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”.

In a situation where a government replant trees for forestation purpose (in other words, the replanted trees came into existence in nature with the action of humankind), we wish to clarify whether the replanted trees will be accounted for under the proposed standard or other applicable standards such as IPSAS 45, *Property, Plant and Equipment*.

Specific Matter for Comment 3: Depreciation (paragraph 23):

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.

Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

We agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated.

Paragraph AG31 states that “although there is a rebuttable presumption that recognized tangible natural resources within the scope of this [draft] Standard have indefinite useful lives, a recognized tangible natural resource may still be regarded as having a finite useful life based on an analysis of all **relevant factors**. In such cases, a significant part of the recognized tangible natural resource 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. Such parts may be grouped in determining the depreciation charge”.

As the relevant factors are not provided in the ED, we propose that the IPSASB provides or explains the factors to consider when determining whether a natural resource has a finite useful life as outlined in paragraph AG31.

Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51):

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered.

Do you agree with the proposed disclosure exemption? If not, why not?

We agree with the proposed disclosure exemption. We propose that the IPSASB also provides similar exemption on unrecognised tangible natural resources.

Specific Matter for Comment 5: Cross-References to IPSAS 45, *Property, Plant, and Equipment* (paragraphs 15 and 54):

This Exposure Draft includes cross-references to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45.

Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

We agree that the cross-references are sufficiently clear.

Specific Matter for Comment 6: Transition (paragraph 60):

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing tangible natural resources which meet the recognition criteria on the date of initial application of the [draft] Standard at their deemed cost, or on a full retrospective basis in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

We agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information.

Specific Matter for Comment 7: Amendment to the Description of 'Heritage Asset' in IPSAS 45, *Property, Plant, and Equipment* (Appendix B):

The IPSASB proposes to amend the description of 'heritage asset' in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard.

Do you agree with the proposed amendment? If not, why not?

We agree with the proposed amendment subject to our comment in Specific for Comment 2.

Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples:

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful.

Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

We agree that the proposed implementation guidance and illustrative examples are sufficient.