



भारतीय सनदी लेखाकार संस्थान
(संसदीय अधिनियम द्वारा स्थापित)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

18th March 2025

Mr. Ian Carruthers
Chairman,
International Public Sector Accounting Standards Board,
The International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

Sub: Comment on Exposure Draft 92, Proposed International Public Sector Accounting Standard, Tangible Natural Resources

We are pleased to provide Comment on Exposure Draft 92, Proposed International Public Sector Accounting Standard 'Tangible Natural Resources' issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the Exposure Draft 92 are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

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**Exposure Draft 92, Proposed International Public Sector Accounting Standard,
'Tangible Natural Resources'**

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.

ICAI's views:

As stated in the Alternative View, the scope of ED 92 should explicitly specify that only tangible natural resources held for conservation are included and the standard should provide requirements and guidance specifically tailored to these resources.

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.

ICAI's views:

We agree with the definitions prescribed by the IPSASB that a natural resource is an item which is naturally occurring and embodies service potential or the capacity to generate economic benefits or both; and a tangible natural resource as a natural resource with physical substance.

However, not all tangible resources fall within the scope of this ED, as exceptions are outlined in paragraphs 3–4.



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?

ICAI's views:

We agree with the rebuttable presumption that tangible natural resources generally have indefinite useful lives and should not be depreciated, as they are not consumed like other tangible assets. However, clear guidance should be provided on cases where tangible natural resources may have a limited useful life due to environmental, regulatory, or economic factors. Entities should also be given criteria to assess and rebut this presumption when necessary.

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?

ICAI's views:

We agree with the IPSASB's approach to exempt entities from disclosing information that could lead to the degradation or endangerment of tangible natural resources. However, it should clearly specify the general nature of disclosures required for tangible resources, as mentioned in paragraph 51.

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



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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?

ICAI's views:

We agree with the inclusion of cross-references to IPSAS 45 for determining cost in exchange transactions and disclosure requirements for current value, as it ensures consistency and aligns with established principles. However, additional clarity should be provided on applying these references to tangible natural resources, particularly in non-exchange transactions and cases involving valuation complexities.

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?

ICAI's views:

We agree with the IPSASB's approach to allow the option of applying the proposed guidance on a modified retrospective basis, as it provides flexibility for entities with limited historical data while ensuring appropriate recognition of tangible natural resources.

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?

ICAI's views:

We agree with the proposed amendment to IPSAS 45, ensuring that heritage assets, which are also tangible natural resources, are accounted for within the scope of this draft standard. This clarification enhances consistency in financial reporting and



ensures appropriate accounting treatment. However, we suggest providing additional guidance on distinguishing between heritage assets and tangible natural resources to avoid any ambiguity in classification.

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?

ICAI's views:

We recommend providing additional guidance on the practical challenges in measuring and recognizing tangible natural resources, particularly when market-based valuation is not feasible. Including more examples that address diverse scenarios, such as transitional adjustments, classification ambiguities, and complexities in non-exchange transactions and valuation, would greatly enhance clarity and consistency in application.

Other Comments

- We recommend that paragraph 35 on derecognition should include clearer guidance on the impact of natural disasters on tangible natural resources. Natural disasters may result in the loss of control over these resources, potentially necessitating derecognition. However, further clarity is needed on how to assess whether a resource should be permanently derecognized due to irreparable damage or if it can be restored for future use.
- Regarding reclassification (para 39-40), we suggest that when a natural disaster significantly alters the intended use of a resource, the entities should be provided with clear criteria for determining when reclassification is appropriate. This guidance should align with relevant IPSAS standards.