



Responses due by 14 February 2025

ACCOUNTING STANDARDS BOARD

**INVITATION TO COMMENT ON THE EXPOSURE
DRAFT OF THE INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS BOARD ON
PROPOSED INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARD ON *TANGIBLE NATURAL
RESOURCES*
(ED 212)**



Commenting on this Exposure Draft

The Accounting Standards Board (ASB) seeks comment on the Exposure Draft (ED) of the International Public Sector Accounting Standards Board (IPSASB®) on the Proposed International Public Sector Accounting Standard (IPSAS) on *Tangible Natural Resources*. Comment received on this ED will be used in formulating a response to the IPSASB.

Comment should be submitted in writing so as to be received by **14 February 2025**. Email responses are preferred. Unless respondents to this ED specifically request confidentiality, their comment is a matter of public record. Comment should be addressed to:

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Background to this Exposure Draft

The ASB's Due Process Handbook indicates that IPSAS Exposure Drafts (EDs) can be issued concurrently to solicit input from local stakeholders as input into the IPSASB's standard-setting process.

The IPSASB issued ED 92, Proposed IPSAS on *Tangible Natural Resources*. The ED proposes guidance on the recognition, measurement, presentation and disclosure of tangible natural resources.

Definition and scope of the proposed IPSAS

Tangible natural resources are natural resources with physical substance. The ED defines a natural resource as a naturally occurring item which embodies service potential, or the capacity to generate economic benefits or both. The proposed IPSAS is a residual standard, meaning that it applies to an item that meets the definition of tangible natural resources, and is not within the scope of other existing IPSAS. As a result of the ED's scoping approach, the IPSASB identified tangible natural resources held for conservation as a likely category that falls within the scope of the ED.

Alternative view

An alternative view disagrees with the proposed definition including items that generate economic benefits, and the scope being a residual IPSAS for tangible natural resources. The main reasons for the alternative view are:

- (a) Based on the definition of natural resources as an item which is naturally occurring, the alternative view is unable to identify tangible natural resources other than those held for conservation that could be within the scope of the ED. Existing IPSAS on tangible assets scopes items into the IPSAS based on the use and specific characteristics of the asset and provides requirements and guidance accordingly. Based on the scoping of the ED, the alternative view considers that the ED should be limited to tangible natural resources held for conservation – to address the unique use, characteristics and accounting considerations for such assets.
- (b) Without knowing what the use and specific characteristics of other potential assets in the scope of the ED may be, there is a risk that the proposed requirements and guidance may not adequately address these other assets. It may also result in inappropriate financial reporting.

Heritage assets that meet the definition of tangible natural resources

The ED explains that tangible natural resources held for conservation may also be considered heritage assets as specified in IPSAS 45 on *Property, Plant and Equipment*. This will be when an item is held for long periods, preserved for the benefit of future generations, in addition to embodying service potential and/or having the capacity to generate future economic benefits. The ED proposes that these heritage assets fall within the scope of this ED, not IPSAS 45. To effect this, the description of heritage assets in IPSAS 45 is amended by deleting "environmental" and "natural".

Measurement requirements for tangible natural resources

The ED requires an entity to apply the subsequent measurement requirements in IPSAS 46 on *Measurement* by choosing either the historical cost model or the current value model as its accounting policy. A tangible natural resource in the scope of the ED is measured at fair value if it is held for its financial capacity, or at current operational value if it is held for its operational capacity.

Alternative view

The alternative view considers that when a tangible natural resource is held for conservation, the primary purpose of holding the item is not to generate economic benefits. Tangible natural resources held for conservation are assets held for operational capacity, and fair value will be an inappropriate measurement basis.

As the ED includes requirements and guidance for assets held for financial and operational capacity, the alternative view considers that this guidance could lead to inappropriate financial reporting for tangible natural resources held for conservation.

Cross-reference to IPSAS 45

The ED includes cross-references to the guidance in IPSAS 45 on determining the cost of an item in an exchange transaction. A cross-reference is also included to the disclosure requirements for current value. These cross-references are included as the IPSASB expects that the acquisition of tangible natural resources in the public sector is rare, and stakeholders are familiar with the principles in IPSAS 45 on determining cost.

Depreciation of tangible natural resources

The ED includes a rebuttable presumption that recognised tangible natural resources in the scope of the ED have indefinite useful lives. The presumption is based on the fact that tangible natural resources are generally not used or consumed in the same manner as other tangible assets that fall within the scope of other IPSAS. As a result, tangible natural resources held for conservation are not depreciated.

Exemptions from certain disclosures

The proposed disclosure requirements will enable users of financial statements to evaluate the nature and risks associated with tangible natural resources, and to evaluate the effect of recognised tangible natural resources on the entity's financial position, financial performance, and cash flows.

The ED proposes to exempt an entity from disclosing information about rare or endangered tangible natural resources to reduce further endangerment or degradation of the natural resource.

Impact of the IPSASB's work on the local environment

Locally, the Standard of GRAP on *Living and Non-living Resources* (GRAP 110) applies to the recognition, measurement, presentation and disclosure of living resources and the disclosure

of non-living resources. Living resources are resources that undergo biological transformation. Non-living resources are resources, other than living resources, that occur naturally and have not been extracted, such as water, minerals, oil and gas, and other non-regenerative resources.

In the Standards of GRAP, the reason for holding a resource will determine how it will be classified. Other Standards of GRAP may thus apply to a living resource, for example, the Standard of GRAP on *Agriculture* applies to biological assets related to agricultural activity and the Standard of GRAP on *Property, Plant and Equipment* applies to bearer plants related to agricultural activity.

The proposed IPSAS has no impact on local requirements. The Board may consider the appropriateness of the final IPSAS for the local environment at a future point.

Due process and timetable

The Board invites comment on the proposals set out in this ED from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, comment received will be used in formulating a response to the IPSASB.

Available materials

The IPSASB developed an “At-a-Glance” document that explains the high-level principles and concepts of [\[ED 92\]](#) (locally issued as ED 212).

The concurrent ED 212 can be accessed on the [\[add a link to ASB website\]](#) along with other materials.

Request for comment

Comment on this ED is invited by **14 February 2025**. The comment period is earlier than the comment date of the IPSAS ED to enable the Secretariat to review and collate the comment received before submission to the IPSASB.

Respondents should express an overall opinion on whether the ED, in general, is supported and supplement this opinion with detailed comment, whether supportive or critical, on the proposals in the ED.

Specific matters for comment

The IPSASB invites comment on the Specific Matters for Comment included below.

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.

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

The Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capacity 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.

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?

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?

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?

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?

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 assets’ 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?

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?

General matters for comment

As with any other ED, comment on any other matter contained in this ED would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.