

February 28, 2025

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

Comments on Exposure Draft 92 “Tangible Natural Resources”

Dear Mr. Smith,

The Japanese Institute of Certified Public Accountants (hereafter “JICPA”) highly respects the International Public Sector Accounting Standards Board (hereafter “IPSASB”) for its continuous effort to serve the public interest. We are also pleased to comment on Exposure Draft 92 “*Tangible Natural Resources*” (hereafter “ED”). Our comments to ED are as follows.

Specific Matter for Comment 1

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.

Comment:

We agree.

Specific Matter for Comment 2

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.

Comment:

We do not agree with the proposed definition, and we advise amending paragraph 6 as below.

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

For the purposes of this [draft] Standard, a tangible natural resource is an item which:

- (a) Is naturally occurring;
- (b) Embodies service potential, or the capability to generate economic benefits, or both;
- (c) Has physical substance; and
- (d) Is held for conservation.

AG9 which provides the definition and interpretation of tangible natural resources prescribes as below:

“...An entity may demonstrate satisfaction of this criterion when there is a plan detailing how the item is expected to provide service potential or general economic benefits for the entity, 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.” It lists the presence of a “plan” as a requirement for an item to be considered a resource.

This “plan” is deemed to have the same meaning as “conservation” in AG4. Given the lack of statements on the definition and interpretation in the absence of a plan and the resulting possibility for unintended, inappropriate accounting treatment, paragraph 6 should define tangible natural resources as only those held for conservation and apply the Standard to those alone.

Specific Matter for Comment 3

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?

Comment:

We agree.

Specific Matter for Comment 4

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?

Comment:

We agree with the above disclosure exemption, but we request that the following issue be addressed. Assuming that information on various rare resources and life forms has already been published other than information subject to IPSAS, prevention of poaching does not provide a strong reason. Accounting information is generally aggregated data and does not require the disclosure of detailed information that may be used for poaching or extraction. We therefore ask IPSASB to provide notes or examples to ensure the limited application of this provision.

Specific Matter for Comment 5

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?

Comment:

We agree except for the following two points.

First, the ED includes cross-references to “Measurement of Cost,” paragraphs 20 to 22, of IPSAS 45, *Property, Plant, and Equipment*, while it excludes only paragraph 23 of the same section from cross-references. Paragraph 23 addresses the measurement of the current value of assets, and it should be included in cross-references.

Second, paragraph 53 of ED 92 refers to paragraph 79 of IPSAS 45, *Property, Plant, and Equipment*, but it uses the term, “current value,” which is different from the term, “current operation value or fair value,” used in paragraph 79. The terminology should be aligned with paragraph 79.

Specific Matter for Comment 6

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?

Comment:

We agree.

Specific Matter for Comment 7

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?

Comment:

We agree.

Specific Matter for Comment 8

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?

Comment:

We agree.

Yours sincerely,

Kaneko Yasushi

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants